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NOTICE OF CANCELLED MEETING

**NOTICE IS HEREBY GIVEN THAT THE
MAY 12, 2015
REGULAR PORT COMMISSION MEETING
HAS BEEN CANCELLED**

**The Next Regular Port Commission Meeting is
scheduled on:**

**TUESDAY, MAY 26, 2015
2:00 P.M. – CLOSED SESSION
3:15 P.M. - OPEN SESSION
Port Commission Hearing Room
Second Floor, Ferry Building
San Francisco, CA 94111**

**San Francisco Port Commission
Pier 1, San Francisco, CA 94111
(415) 274-0406**

**GOVERNMENT
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MAY - 4 2015

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MAY / JUNE 2015
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
May 12	CANCELLED		
May 26	2 00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
	3 15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building
June 9	CANCELLED		
June 23	2 00 PM Closed Session	Port Commission	Port Commission Hearing Room / Ferry Building
SPECIAL MEETING	3.15 PM Open Session	Port Commission	Port Commission Hearing Room / Ferry Building

NOTES

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

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The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

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The Southern Waterfront Advisory Committee (SWAC) meets at the last Wednesday of the month as needed from 6:00 to 8:00 p.m. Location to be determined. Contact Kanya Dorland @ 274-0264 or kanya.dorland@sfport.com and/or David Beaupre @ 274-0539 or david.beaupre@sfport.com

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Language Assistance

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NOTICES

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soft@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

MEETING AGENDA

TUESDAY, MAY 26, 2015
2:30 P.M. CLOSED SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – April 28, 2015
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTER (Discussion and Action Item). *This session is closed to any non-City/Port representative:

- a. Discuss existing litigation matters and possible approval of proposed settlement pursuant to subdivisions (a) and (d)(1) of California Government Code Section 54956.9 and San Francisco Administrative Code section 67.10(d)(1):

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In re Pier 38 Maritime Recreation Center, Inc. (Debtor), U.S. Bankruptcy Court, Northern District of California, San Francisco Division, (Case No. 07-31444 DM 11 Chapter 7), and related adversary proceeding, City and County of San Francisco by and through its Port Commission v. Andrea A. Wirum, Trustee of the bankruptcy estate of Pier 38 Maritime Recreation Center, Inc.; and related counter-claim, Andrea A. Wirum v. City and County of San Francisco by and through its Port Commission (Adversary Proceeding No. 10-3271.)

Proposed settlement of litigation existing between the Port and Andrea A. Wirum, as trustee ("Trustee") for the debtor and former tenant Pier 38 Maritime Recreation Center, Inc., alleging various claims against one another. The Port asserted against the Trustee secured, unsecured, and administrative claims for breaches of the lease, including past rents due and a lien upon sublease rents received by the bankruptcy estate. The Trustee alleged various counter-claims against the Port, including breach of lease/contract and wrongful conduct, such as failing to make contractually required repairs, failing to maintain the premises, failing to act timely for permits, outside agency loans and rent credits, failing to cooperate in development of a yacht harbor, seeking to wrongfully evict the debtor, and otherwise breaching the covenant of good faith and fair dealing.

The proposed settlement includes the following material terms: 1) the Trustee's payment to the Port the sum of approximately \$30,000 in full satisfaction of the Port's lien against the funds currently on hand in the bankruptcy estate in the approximate amount of \$74,000; 2) the Trustee's retention of the sum of approximately \$44,000 of the funds on hand in the estate in full satisfaction of Trustee's counter-claims asserted against the Port in the Adversary Proceeding; 3) the Port's and the Trustee's mutual dismissal without prejudice of Adversary Proceeding No. 10-3271; 4) the Port will retain all of its claims but will subordinate its administrative claim to the fees and expenses of the Trustee and her professionals as to the funds retained by the bankruptcy estate under the settlement; 5) the Trustee will release or waive any other claims against the Port which exist in favor of the bankruptcy estate or the Trustee; and 6) the Trustee will stipulate to relief from the bankruptcy automatic stay to permit the Port to apply the \$15,000 security deposit for the lease which the Port is holding. The settlement is subject to the approvals by both the Port Commission and the United States Bankruptcy Court.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
 - Scoma's Restaurant 50th Anniversary
 - Red's Java House 60th Anniversary
 - Notice of Preparation (NOP) of an Environmental Impact Report (EIR) for the proposed Pier 70 Mixed-Use District Project and public scoping meeting for the EIR - May 28, 2015, from 6:00 p.m. to 8:00 p.m. at Pier 1

- Cancellation of Port Commission meeting – June 9, 2015
 - Special Port Commission Meeting – June 23, 2015, Port Commission Hearing Room, Ferry Building
 - Receipt of three proposals for Bayview Gateway Art Project at Cargo Way and Third Street
- B. Port Commissioners' Report - Without discussion, at this time Commissioners may make announcements regarding various matters of interest to the Commissioner(s).

10. CONSENT

- A. Request approval of amendment to the 2013 Port of San Francisco Building Code to remove existing Section 106A.2, that provides a permit exemption for fences not exceeding 6 feet in height; thereby require building permits for construction of all future fences on Port property. (Resolution No. 15-17)
- B. Request authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building & Roof Repair Project. (Resolution No. 15-18)

11. PLANNING & DEVELOPMENT

- A. Request approval of: (1) Findings that the project proposed by TMG Partners, a California corporation, for premises located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street is consistent with the Burton Act and the public trust for commerce, navigation and fisheries; and (2) Lease No. L-15892 between the Port of San Francisco and TMG Partners (or its affiliate) for a term of 25 years. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 15-19)
- B. Informational presentation regarding the National Park Service selection process for a proposed embarkation site for ferry service between the northern San Francisco waterfront and Alcatraz Island.
- C. Informational presentation on public process participation and schedule for the update of the Waterfront Land Use Plan.
- D. Informational presentation on the mixed-use development project for Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park.

12. REAL ESTATE

- A. Request authorization to issue a Request for Proposals for a three year lease with two one-year options to renew for three surface parking lots at: (i)

Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim parking in Pier 33. (Resolution No. 15-20)

- B. Informational presentation regarding the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates and Special Event, Filming and Public Art Rates.

13. NEW BUSINESS

14. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

JUNE 9, 2015 – CANCELLED

JUNE 23, 2015 – SPECIAL MEETING

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation by Kenneth J. Petrilla, Executive Director of the California-China Office of Trade and Investment in Shanghai, on his office's efforts to promote and facilitate Chinese investment into California and to help California companies doing business in China
2	Pier 27	Informational	Status report on the James R. Herman Cruise Terminal Activity
3	Portwide	Action	Approval of Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event, Filming and Public Art Rates
4	Portwide	Action	Authorization to execute Contract Modification to construction Contract No. 2746 with Dutra Dredging for Maintenance dredging work
5	Piers 30-32	Action	Approval of proposal by the Mexican Consulate for a temporary art installation on the wharf area at Piers 30-32 and the northern end of the Brannan Street Wharf
6	Portwide	Action	Approval of the Operations Agreement with Aeroground, Inc. dba Menzies Aviation granting Menzies Aviation authority to operate its site at San Francisco International Airport as a Foreign Trade Zone No. 3 usage-driven site for a term of five years with one option to extend for four years and outlining conditions for the operation of the usage-driven site

JULY 14, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 29	Informational	Presentation on Request for Proposals (RFP) for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero
2	SWL 323 and 324	Action	Authorization to Enter into Exclusive Negotiation Agreement with Teatro ZinZanni and its financial partner, Kenwood Investments No. 6, LLC, operating together as TZK Broadway, LLC, for the Lease and Development of Seawall Lots 323 and 324 and portions of the adjacent Vallejo and Davis Streets right-of-ways with a dinner-theater and a

			maximum 200-room, 40-foot high boutique hotel and approximately 7,500 square feet privately financed public park and ancillary uses on the west side The Embarcadero at Vallejo Street
3	Pier 38	Action	Approval of a capital investment in infrastructure and public access for the Pier 38 project in an amount not less than \$2,500,000
4	Portwide	Action	Approval to include additional capital projects in the previously approved supplemental appropriation to the Fiscal Year 2015-16 Capital Budget

SEPTEMBER 8, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Bayview Gateway	Informational	Presentation on the Bayview Gateway Art Project, and proposed Memorandum of Understanding between the Port and San Francisco Arts Commission for the use of Port property for the Bayview Gateway Art installation
2	Portwide	Informational	Update of Port Maritime Preservation Policy
3	Seawall Lots 321, 322-1, 323/324, and Piers 19½, 29½ and 33	Informational	Presentation to Port Commission to share the results of the Request for Proposals for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim parking in Pier 33
4	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs
5	Portwide	Action	Authorization to add revised Rules and Regulations for South Beach Harbor into Tariff No. 5
6	Pier 80	Action	Approval of two year Marine Terminal Agreement at Pier 80

SEPTEMBER 22, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Seawall/Earthquake Vulnerability Study Update
2	Seawall Lots 321, 322-1, 323/324, and Piers 19½,	Action	Recommendation to Port Commission and authority to negotiate lease for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321,

	29½, and 33		bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim parking in Pier 33
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NOVEMBER 10, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Seawall Lots 321, 322-1, 323/324, and Piers 19½, 29½ and 33	Action	Approval of lease for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim parking in Pier 33

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
2	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
3	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
4	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
5	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
6	SWL 322-I	Action	Authorize Mayor's Office of Housing and Community Development to issue an RFP for a development of SWL 322-I

JUNE / JULY 2015
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To request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please contact Wendy Proctor, Port's ADA Coordinator at (415) 274-0592 or via email at wendy.proctor@sfpport.com or Amy Quesada, Commission Secretary, at (415) 274-0405 or via email at amy.quesada@sfpport.com at least 72 hours in advance of the hearing. The Port's TTY number is (415) 274-0587.

Language Assistance

311 Free language assistance / 免費語言協助 / Ayuda gratuita con el idioma / Бесплатная помощь переводчиков / Trợ giúp Thông dịch Miễn phí / Assistance linguistique gratuite / 無料の言語支援 / 무료 언어 지원 / ᐃᓄᓇᑦ ᐅᓴᓂᓐ ᐱᓚᓴᓂᓐ ᐸᓇ ᐳᓴᓂᓐ ᐳᓴᓂᓐ / Libreng tulong para sa wikang Tagalog

NOTICES

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights

under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

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MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Amendment to the 2013 Port of San Francisco Building Code to remove existing Section 106A.2, that provides a permit exemption for fences not exceeding 6 feet in height; thereby require building permits for construction of all future fences on Port property

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

At its meeting on April 28, 2015, the Port Commission heard an information presentation to amend the Port Building Code to remove the exemption for permits for certain types of fences. Port staff now requests Port Commission approval of the proposed Amendment. The proposed amendment remains the same as previously presented.

Executive Summary

Currently, fences that are installed without permits are not reviewed by Port staff for compliance with exiting, accessibility and Fire Code issues, thus creating potential safety issues. Since this change would impact Port tenants and also require filing a code amendment with the State Building Standards Commission, it requires Port Commission approval.

At the Port Commission's April 28, 2015 meeting, no public comments were received. The Port Commission requested that the Port Real Estate Division inform its tenants of the pending changes which they did. The Port Engineering presentation was accompanied by a staff memorandum dated April 24, 2015.¹ Only minor modifications

THIS PRINT COVERS CALENDAR ITEM NO. 10A

¹ <http://www.sf-port.org/index.aspx?page=2587>

have been made to the staff memorandum which are presented herein as double underlined text. A new authorizing Resolution also has been included.

Strategic Objective

This proposed code amendment will enhance public safety at the Port. The erection of off-street fences on Port land (without Port staff review) often creates unintended consequences in the form of barriers to the flow of pedestrians and accessibility routes, and impediments to Fire Department access of Port facilities. By requiring a building permit for all fences, the Port's permit reviewers will be able to reduce potential hazards. This proposed code amendment does not require an addition to the Port Building Code to require permits for fences. Rather, it is implied that by removal of the current fence exemption, fence construction will become part of the general permit requirements for work done on Port land, per Port Building Code Sections 101A.2 'Purpose' and 101A.3 'Scope.' This proposed code amendment would, if adopted, delete the following text from Section 106A.2 of the 2013 Port Building Standards Code, which currently allows an exemption from the requirement for a building permit:

"Fences not over 6 feet (1829 mm) high, including fences used as temporary crowd control barriers for public assembly of Special Events."

LBE Role/Opportunities

The proposed amendment to the Port Building Code will not create any new opportunities for professional services nor construction contracts.

Climate Action

The proposed amendment to the Port Building Code will not have any impact on Port's climate adaptation efforts.

Funding

There are no funding requirements for publishing and adopting this amendment to the 2013 Port of San Francisco Building Standards Code.

California Environmental Quality Act (CEQA)

Port Planning staff has determined that this amendment to the Port Building Code does not require further action under CEQA because it is not a "project" within the meaning of CEQA.

Public and Tenant Outreach

This proposal has been advertised in the Examiner newspaper for a 25 day period lasting from April 29 through May 23, 2015. The information has also been available at the Port Information and Permit desks. In addition, Real Estate Staff has notified their tenants of the proposal. As of the date of this report, no objections or comments were received from the public or the Port tenants.

Implementation

State law provides that local modification or changes to the California Building Standards Code shall not become effective until the local agency makes express findings that such modifications are reasonably necessary and have been filed with the

and §17959.(b). Any local modifications are limited to the 2013 edition of the California Building Standards Code and thereafter must be filed for each new edition of the California Building Standards Code. The 2013 Port of San Francisco Building Standards Code currently includes modifications to the State Code that "differ," "vary," are "reasonably necessary," or "more restrictive" than the state code, based upon local conditions and findings. If Port Commission approves the proposed amendment, Port staff will file the amendment with the California Building Standards Commission in early June (effective date of the amendment would be the date of filing).

Summary

The Port Engineering staff requests Port Commission approval of an amendment to the Port Building Code that will remove an exemption for certain types of fences. Following that removal, all fences on Port property covered by the Port Building Code will require a Port Building Permit prior to erection or placement. See Exhibit A attached hereto for details of the proposed Port Building Code change.

Prepared By:	Neil Friedman Chief Building Inspector
For:	Eunejune Kim Chief Harbor Engineer

Attachment:

Exhibit A: Summary of Port Building Code Amendment

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-17

- WHEREAS, the Port of San Francisco derives its authority to regulate and permit building construction and improvements within its jurisdiction from the Burton Act (Chapter 1333 of the Statutes of 1968) and relevant sections of the Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco; and
- WHEREAS, the Port staff has established a Building Permit Group as part of the Port Engineering Division with the responsibility for enforcement, administration, and interpretation of State building standards on Port property; and
- WHEREAS, the Port Engineering Division's Building Permit Group is considered a local building department or jurisdiction; and
- WHEREAS, through Resolution 13-50, the Port Commission adopted the 2013 Port of San Francisco Building Code with an effective date of January 1, 2014; and
- WHEREAS, the California Building Standards Law (Health and Safety Code Section 18901 and following) mandates that local jurisdictions within the State apply the 2013 State Code, provided that a local jurisdiction may make modifications to the State Code and other regulations it determines are reasonably necessary because of local climatic, geological or topographical conditions as specified by Health and Safety Code Section 17958.5, 17958.7 and 17959.(b); and
- WHEREAS, in the interests of public safety and to ensure reasonable access to Port property, Port staff recommends an amendment to the 2013 Port of San Francisco Building Code to delete existing Section 106.A, Item 2, which provides a permit exemption for fences not exceeding 6 feet in height, thereby requiring building permits for future construction of all fences on Port property as of the effective date of the amendment; and
- WHEREAS, the proposed amendment was made available to the public at the Port permit desk, advertised for a 25 day period through the Examiner newspaper, and notification provided to tenants; and
- WHEREAS, Port staff has not received any comments from the public or Port tenants regarding the proposed amendment to the 2103 Port Building Code; now therefore, be it

- RESOLVED, that the Port Commission hereby finds that the above-described amendment and change to the 2013 California Building Standards Code is reasonably necessary because of local climatic, geographical, topographical, or more restrictive conditions and the Port's administrative structure and requirements; and be it further
- RESOLVED, that the Port Commission hereby authorizes and adopts the amendment to the 2013 Port of San Francisco Building Code that would remove the current exemption for fences in Section 106A.2, Item 2, Work Exempt from Permit; and be it further
- RESOLVED, that the Port Commission authorizes and directs staff to file with the State Building Standards Commission, the amendment removing the current fence exemption in Section 106A.2, Item 2, with local findings in support of the amendment; and be it further
- RESOLVED, that the Port Commission hereby declares that upon such filing of the amendment to remove the fence exemption, this amendment shall become effective on the date of filing.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of May 26, 2015.

SECRETARY

EXHIBIT A

Proposed modification of the Port of San Francisco Building Code Section 106A.2, item 2: removal of item.

Existing (partial) code section (with proposed deletion shown in overstricken text):

106A.2 Work exempt from permit. A building permit shall not be required for the following:

1. One-story detached accessory buildings or structures used as tool and storage sheds, playhouses and similar uses, provided the floor area does not exceed 120 square feet (11m²).
2. ~~Fences not over 6 feet (1829 mm) high, including fences used as temporary crowd control barriers for public assembly of Special Events.~~
3. Amusement devices not on fixed foundations.

(In the actual code, additional exemptions follow. . .)

New (partial) code section with removal of fence exemption:

106A.2 Work exempt from permit. A building permit shall not be required for the following:

1. One-story detached accessory buildings or structures used as tool and storage sheds, playhouses and similar uses, provided the floor area does not exceed 120 square feet (11m²).
2. Amusement devices not on fixed foundations.

(in the actual code, additional exemptions follow. . .)



MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MM*
Executive Director

SUBJECT: Request authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building & Roof Repair Project

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

Port staff requests the Port Commission's authorization to advertise for competitive bids for Contract No. 2762, Pier 31 Building & Roof Repair Project ("Project"). Project base bid scope includes structural repairs, roofing, window and door repairs, utilities, restrooms and safety repairs to Pier 31. The Project will bring the facility up to code and regulations to restore a red-tagged Port real estate asset into use. Because Pier 31 and 29½ are connected, additive alternate bid items for extension of roofing and window repairs will be included for bid. The facility location is illustrated in Attachment A: Area of Work Location Map.

Strategic Objective

This Project will rehabilitate an important historic maritime resource in the Embarcadero Historic District to be returned to light industrial use. The Project will enable this red tagged Port real estate asset to be returned to functional status which will generate new resources to help the Port meet its other capital improvement or operating needs.

Background

Pier 31 is a contributing resource within the San Francisco Embarcadero Historic District which is listed in the National Register of Historic Places. Pier 31 bulkhead and shed was built in 1918 in the neoclassical architectural style together with Pier 29½ and Pier 29 bulkhead. The building is constructed of heavy timber structural components,

This Print Covers Calendar Item No. **10B**

wood and stucco bulkhead and concrete shed walls. Pier 29 was separated from Pier 29½ and Pier 31 with an area separation wall circa 1970s. Piers 29½ and 31 are one open area and are considered as one building.

Pier 31 was envisioned for historic rehabilitation as part of the Pier 27-31 Mixed Use Recreation Project in 2000 which was rejected by the Board of Supervisors in 2005. Without a program for future development or rehabilitation, the facility continued its function as light industrial use, primarily warehouse storage and parking. In early 2009, Port Engineering identified significant deterioration in the structural superstructure in the shed portion of Pier 31 which resulted in the facility being red tagged.

The roof is beyond its useful life, and water intrusion has contributed to the deterioration of structural members. Utility services in the building are non-operational or inadequate for ongoing use. The pier deck substructure is in fair condition and can continue to support industrial uses if the superstructure and pier aprons are repaired.

The Port Commission approved funding for rehabilitation of the red-tagged Pier 31 with Port Revenue Bond funds through Resolution 13-19 on May 14, 2013, and Resolution 13-53 on December 12, 2013. The funding for the Project is designated for repairs in Pier 31. Subsequently, while preparing construction documents, it was apparent that because of the open configuration of Piers 31 and 29½, it would be advantageous to complete roofing and window repairs in Pier 29½. During the design process for the core and shell utilities in Pier 31, Port Engineering staff determined that additional utility and restroom upgrades in the Pier 29½ facility be considered for inclusion in the Project. Additive alternate bid items will be incorporated in the bid documents to allow for additional work in the Pier 29½ area should further funding become available.

The north apron is currently an unusable abandoned depressed rail track. Port Maintenance staff will rehabilitate both the north and south aprons. The apron repair work will precede the Project work which will provide safe egress from the facility. Additionally, the rehabilitation of the north apron will provide opportunities for public access where it's adjacent to the Alcatraz Tour operations on Pier 31½.

Building Uses and Tenants

The original uses for the building were office and retail in the bulkhead area and storage in the shed. These uses will remain the same once the repairs are complete. Opportunities for additional office and retail build outs within the bulkhead will be available upon investment of subsequent improvements, either by the Port or in conjunction with development partners. The utility design takes additional build out opportunities and maritime use on the south apron into consideration so that utilities can be easily installed when they are needed. For example, the planned base bid repairs in Pier 31 would allow the facility to support possible future use of portions of Pier 31 by the National Park Service for Alcatraz Tour operations, an agreement that is currently being negotiated.

Because the shed portion of the building is currently red-tagged, few tenants occupy the building. Current tenants in the bulkhead portions of the facility include Hornblower

Cruise operations employee area, public and longshoreman parking, contractor staging, and Port and Metro Stevedore storage. The tenants will be relocated or discontinued during construction.

Project Description

Construction documents required for this Project have been prepared by Port Engineering staff with the mechanical electrical and plumbing portions prepared by Port consultant, MHC Engineers. The Project scope includes repairs to primary structural system, selective dry rot repairs, removal of existing roofing materials, hazardous material abatement, refurbishment and replacement of existing historic rooftop windows, new roofing, flashing, repair and installation of egress doors, rehabilitation of existing restrooms located in the Pier 31 shed, exterior security lighting and fencing enhancements, refurbishment of utilities including lighting, electrical and gas service, water and sanitary sewer.

Regulatory Approvals

The planned repairs and maintenance work have been reviewed for consistency with the historic features of the pier building and the Embarcadero Historic District, which must be consistent with the Secretary of the Interior Standards for Historic Rehabilitation. The Project scope in Piers 31 and 29½ is primarily ordinary maintenance and repair and would not result in the removal of distinctive materials, alteration of features or spatial relationships. Proposed repairs and improvements are designed to be in-kind or to use substitute materials that would maintain the overall character and appearance of the resource.

Planning and Development staff have reviewed the scope of work for Piers 31 and 29½ and determined that the basic repair and maintenance work of the base bid and additive alternates bid items would not result in any change or intensification of use and is not a project subject to the California Environmental Quality Act. The scope was also submitted for review by the San Francisco Bay Conservation and Development Commission (BCDC) pursuant to an existing BCDC Permit M77-17 that provides for Port repair and maintenance work to its facilities, and is deemed approved. Permits for the exterior security fencing will be submitted to the Port Building Permit staff for review and approval under the Port Building Code. An Army Corps of Engineers' permit is not needed for this work.

Oversight by a third party Certified Industrial Hygienist during the removal of any roofing material and hazardous material abatement will be provided. In addition, Western Gulls are protected from harm or harassment during their nesting season from May through September under the federal Migratory Bird Treaty Act (MBTA). The construction period of the roofing and window repair portions of the Project will be required to occur outside of the nesting season.

Climate Action

Sea Level Rise is not expected to cause any major issue during the design life of this Project. The design life of this Project is projected to be 35 years.

Local Business Enterprise

The Contract Monitoring Division (CMD) enforces the City's Administrative Code Chapter 14B, the Local Business Enterprise and Non-Discrimination in Contracting Ordinance. The ordinance establishes 10% bid discounts for LBE prime contractors and empowers CMD to set LBE subcontractor participation goals based upon availability of LBE firms to complete the type of work included in the contract. CMD staff have reviewed the Project scope and funding sources for this contract, and determined a 25% Local Business Enterprise (LBE) subcontractor participation goal based on percentage of the bid amount of the base bid and additive alternate scope of work. However, under Section 14B.8(D), when state or federal funds are used, the rules and requirements associated with those funds prevail over Chapter 14B. Federal funds typically prohibit the imposition of local geographic preferences. Therefore, the LBE participation goal does not apply to the portion of the work funded by the FEMA grant and matching funds.

Under the proposed bid solicitation, qualified bidders must possess a Class B Contractor's License with at least five (5) years of experience working on historic public work construction. Port staff will work with Derf Butler Enterprises, who specialize in small business outreach, to develop an outreach program designed to encourage bidding from construction contractors located in the Bayview neighborhood area, zip codes 94124, 94134 and 94107. Bids will be advertised to reach contractors through the following methods:

- Direct targeted emails based on location and trade
- Chambers of Commerce – Postings and alerts within the traditional and ethnic Chambers
- Merchant Associations - Postings and alerts within the traditional and ethnic Chambers
- Minority/Women Business Enterprise Agencies
- Direct phone calls to targeted individuals and businesses to promote joint ventures
- Contract Monitoring Division list of contractors
- Port Internet
- Office of Contract Administration Internet Site
- San Francisco Public Library
- Plan Rooms (Builders Exchange, Contractors Information Network, etc.) 18 total
- Chambers of Commerce:
 - Hispanic Chamber of Commerce
 - San Francisco African Chamber of Commerce
 - Chinese Chamber of Commerce
- San Francisco Chronicle (or Examiner)
- Community Newspapers:
 - Bay Area Reporter
 - Central City Extra
 - El Mensajero
 - EL Reportero

- Marina Times/Northside Publications
- Potrero View
- San Francisco Bayview
- Sing Tao Daily
- Small Business Exchange
- The Western Edition
- World Journal
- Sun Reporter
- SFPUC Contractor Assistance Center

After the solicitation and receipt of bids, Port staff will propose award of the contract to the lowest responsive, responsible bidder.

Funding

The total estimated construction cost for this Project, which includes a 10% contingency, is \$5,868,500.

The engineer's estimate and funding source for this Project are noted below:

Project Scope	Engineer's Estimate	Funding Source
Roofing and structural repairs	\$4,021,209	2010 Port Revenue Bond Fund 5P-CPF-09B
Roofing and structural repairs	\$917,291	2014 Port Revenue Bond Fund 5P-CPF-13B
Exterior Security Lighting & Fencing Enhancements*	\$297,375	U.S. Department of Homeland Security FEMA Grant EMW-2014-PU-APP-00604
Exterior Security Lighting & Fencing Enhancements*	\$99,125	FEMA Grant Port Capital Matching Funds (25%) CPO 780

Subtotal Engineer's Estimate: \$ 5,335,000
 Add in 10% Contingency: \$ 533,500
 Total Estimated Cost with contingency: \$ 5,868,500

*The U.S. Department of Homeland Security FEMA Grant funding requires the Port to provide 25% matching funds as identified here.

The estimated Project cost, and the 10% contingency are fully funded by the sources identified in the table above. Bid documents will include additive alternate bid items to include roofing and window repairs, and additional utility and restroom upgrades in Pier 29½ should bid amounts allow for inclusion of the work in the Project. If additional funding is identified once the Project is bid, Port staff will request authorization from the Port Commission to include the additional work with the additional funding.

Schedule

The Project is scheduled to start in September 2015, and the anticipated completion date is September 2016.

The following is the anticipated Project schedule:

Commission Approval to Advertise	May 26, 2015
Advertise for Bids	June 2, 2015
Award of Contract	September 2015
Notice to Proceed	September 2015
Substantial Completion for security portion*	May 2016
Substantial Completion for remainder of work	July 2016

*FEMA Grant funding expires on August 31, 2016, and represents approximately 7% of the scope of work. In order to relieve the contract of this funding dependency, staff will create a separate completion milestone for this work which will include liquidated damages for failure to meet the date. As shown above, the milestone for substantial completion will be set three months in advance of the grant expiration to account for punch list and administrative work required to obtain the grant.

Summary

The Project will rehabilitate an important red-tagged historic resource with scope that includes structural repairs, roofing, window and door repairs, utilities, restrooms and safety repairs to bring the facility up to codes and regulations. The Project will enable this asset to be returned to a revenue-generating light industrial use. Additionally, this is a good Project for LBE participation.

Recommendation

Port staff is prepared to seek competitive bids for this Project. Therefore, Port staff requests Port Commission authorization to advertise for competitive bids for Contract No. 2762, Pier 31 Building & Roof Repair Project.

Prepared by: Wendy Proctor
Project Architect

For: Eunejune Kim
Chief Harbor Engineer

Attachments

- A: Area of Work Location Map
- B: CMD Review Memorandum

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-18

- WHEREAS, Port staff seeks authorization to obtain competitive bids for construction Contract No. 2762, Pier 31 Building & Roof Repair Project (the "Project"); and
- WHEREAS, the construction Project will provide repairs to the primary structural system, and dry rot repairs, roofing, hazardous material abatement, refurbishment and replacement of existing historic rooftop windows, flashing, repair and installation of egress doors, rehabilitation of existing restrooms, exterior security lighting and fencing enhancements, and refurbishment of utilities including lighting, electrical and gas service, water and sanitary sewer for the Pier 31 facility; and
- WHEREAS, the bid documents will include additive alternate bid items for roofing and window repairs and additional utility and restrooms upgrades in Pier 29½ should the bid amounts allow for inclusion of this alternate scope of work in the contract or additional funding becomes available; and
- WHEREAS, Piers 31 and 29½ are contributing resources to the Embarcadero Historic District and the proposed Project work has been reviewed and determined to comply with Secretary of Interior Standards for Historic Rehabilitation; and
- WHEREAS, Port staff, along with a mechanical, electrical and plumbing engineering consultant have completed design drawings and specifications for the Project; and
- WHEREAS, the current estimated Project cost for work in Pier 31 is \$5,335,000, and the corresponding 10% contingency is \$533,500 for a total of \$5,868,500; and
- WHEREAS, the current estimated Project cost, including the 10% contingency is fully funded by the following sources: 1) 2010 and 2014 Port Revenue Bond Funds, 2) a FEMA Security Grant designated for Pier 31 repairs and security enhancements, and 3) Port capital funds which will provide a 25% local match required by the FEMA Security Grant; and
- WHEREAS, the Project scope for Piers 31 and 29½ entails basic repair and maintenance work that would not result in any change or intensification of use and is not a project subject to the California Environmental Quality Act, and has been submitted for review and deemed approved by the San Francisco Bay Conservation and Development Commission (BCDC) pursuant to an existing BCDC Permit M77-17 that provides for Port repair and maintenance work to its facilities, and needs no permit from the U.S. Army Corps of Engineers; and

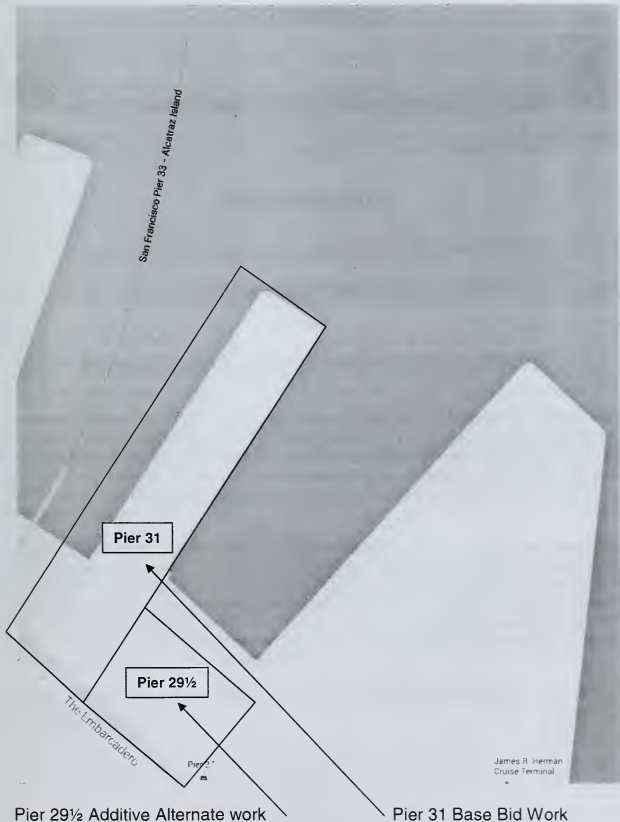
WHEREAS, Port staff will incorporate the subcontracting goal of 25% for Local Business Enterprises (LBEs) as recommended by the City's Contract Monitoring Division (CMD) and requirements of the San Francisco Local Hiring Ordinance including the mandatory participation level for each qualifying trade, in the solicitation of bids for this Project with the exception of the work funded by the FEMA grant that prohibits imposition of local geographic preferences; now, therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to advertise for and accept competitive bids for Contract No. 2762, Pier 31 Building & Roof Repair Project.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of May 26, 2015.

Secretary

ATTACHMENT A
AREA OF WORK LOCATION MAP



CONTRACT 2762 Pier 35 Building & Roof Repair Project

ATTACHMENT B



OFFICE OF THE CITY ADMINISTRATOR CONTRACT MONITORING DIVISION



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

Veronica Ng, Director

MEMORANDUM

TO: Wendy Proctor, Project Manager

FROM: Lupe Arreola, Contract Compliance Officer, CMD

DATE: May 19, 2015

RE: REVISED Goal Approval Memo, Project 2762 Pier 31 Building & Roof Repair

The Contract Monitoring Division (CMD) has completed its review of the Project Manager's Estimate of the sub opportunities on the above referenced project. Based on this review and the LBE availability data, the LBE Subcontracting Goal is 25% of the entire contract value. Federal funds provided through the Federal Emergency Management Agency ("FEMA") will not count towards the final contract amount for the purposes of calculating compliance with the 25% LBE Subcontracting Goal.

The availability of Minority Business Enterprises ("MBE"), Woman Business Enterprises ("WBE") and Other Business Enterprises ("OBE") to perform sub work on this project is as follows: 12.5% MBE, 1.9% WBE, and 10.6% OBE. This availability information should be conveyed in the RFP and proposers should be advised that they may not discriminate in the selection of subs on the basis of race, gender, or other basis prohibited by law, and that they shall undertake all required good faith outreach steps in such a manner as to ensure that neither MBEs nor WBEs nor OBEs are unfairly or arbitrarily excluded from the required outreach.

Should you have any questions please feel free to contact me at 415-274-0511 or lupe.arreola@sfgov.org.

30 Van Ness Avenue, Suite 200, San Francisco, CA 94102
Telephone (415) 581-2310; Fax (415) 581-2351



MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *M Moyer*

SUBJECT: Request Approval of (1) Findings that the project proposed by TMG Partners, a California corporation ("TMG Partners") for premises located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street is consistent with the Burton Act and the public trust for commerce, navigation and fisheries, and (2) Lease No. L-15892 between the Port of San Francisco and TMG Partners or its affiliate for a term of 25 years (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.)

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution

At its meeting on April 28, 2015, the Port Commission heard an informational presentation regarding a new Lease No. L-15892 between the Port of San Francisco and TMG Partners for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with a term of 25 years ("Lease"). The April 28, 2015 presentation was accompanied by a staff memorandum dated April 24, 2015¹ which outlined the proposed vision for the lease.

This staff memorandum further describes the proposed terms of the Lease in greater detail. Material additions to the April 24, 2015 staff memorandum are presented herein

THIS PRINT COVERS CALENDAR ITEM NO. 11A

¹ <http://www.sfport.com/modules/showdocument.aspx?documentid=9722>

as double underlined text; other technical additions are show in single underlined text and deletions are shown in strike-through. In particular, updates have been provided related to terms for (1) rent credits for substructure improvements, voluntary seismic upgrades, sea level rise adaptation measures, and certain capital improvements in the last five years of the Lease, (2) a three (3) month due diligence period at the start of the Lease during which TMG can conduct seismic and environmental investigations and terminate the Lease, (3) the guaranty for completion of the initial improvements, and (4) the accompanying Resolution for approval.

Summary

Following a Pier 38 developer solicitation process that resulted in the selection of TMG Pier-38 Partners, LLC ("TMG" or "Tenant") as the most qualified respondent, Port staff and TMG have developed a proposed site plan and business terms for the Pier 38 bulkhead project. On November 18, 2014, staff presented an overview of the proposed project scope, initial business terms and a status on the regulatory approvals. This memorandum revises, clarifies and, in certain instances, eliminates certain business terms that were presented on November 18, 2014.² These changes improve rent payments to the Port, incentivize substructure improvements, and provide a Port capital investment option.

In general the following business terms for the proposed lease were negotiated and amended:

1. The 50% rent credit for Tenant's initial capital investment is limited to base rent and expires after Year 20;
2. The Port set-aside of 25% of base rent for substructure repairs is replaced with incentives for both Port and Tenant to invest in substructure repairs;
3. Base rent is adjusted to equal fair market rent after Year 20;
4. Participation rent to Port is increased;
5. A performance standard for special event use is defined;
6. Provisions to address sea level rise are added; and
7. A Port capital investment option is included.

In addition, this memorandum provides an update of the regulatory approvals, including a finding of trust consistency for this project.

Repeat Item

The intent of the April 28, 2015 presentation was to allow the Port Commission to provide input and direction to staff, and for the public to review and comment on the proposed project and deal structure. The Commission generally supported the proposed terms, but suggested that the special event use be expanded to include community-oriented events and requested a Local Small Business (LBE) utilization plan. Port staff and TMG have negotiated a community-oriented event provision, and have finalized lease negotiations, as further described herein. A copy of the proposed

² <http://www.sfport.com/modules/showdocument.aspx?documentid=9106>

lease is on file with the Port Commission Secretary. TMG Partners has submitted an LBE utilization plan which is Exhibit E to this report.

Port staff received comments from the California State Lands Commission regarding the public trust analysis of the project contained in Exhibit C. Changes to that analysis, including references to community-oriented events, are shown in track changes to that exhibit.

Port staff is now requesting Port Commission approval of the lease to execute the terms and conditions described herein.

Background and Strategic Objectives

On September 25, 2012, the Port Commission authorized staff to issue a Request for Proposals (RFP) with the objective to restore and re-tenant the Pier 38 bulkhead, bringing it back into economic use and to provide on-going revenue to the Port.

The Port issued the RFP on November 16, 2012.³ In March 2013, the Port received proposals from two developer teams: 1) San Francisco Waterfront Partners, LLC and 2) TMG. The development teams presented their qualifications and proposals to the Port Commission on June 11 and August 13, 2013.

On December 12, 2013, the Port Commission awarded the Pier 38 bulkhead rehabilitation opportunity to TMG and directed Port staff to negotiate a lease on terms and conditions that reflect the Port's goals, as described in the RFP.⁴ In general, the Port's goals include: 1) repair the bulkhead building needed to meet building code and other regulatory requirements; 2) develop a strategy to re-tenant the bulkhead and generate on-going revenue to the Port; 3) encourage office, visitor-serving commercial and maritime uses that complement adjacent waterfront development; and 4) revive this historic structure and bring people and business activity to the waterfront. This project is limited only to the bulkhead and a portion of the shed as described in the development solicitation and does not extend to the total rehabilitation of Pier 38. The solicitation was limited to this smaller area due to continued uncertainty of complete Pier 38 rehabilitation feasibility.

Pier 38 consists of two structures. The Pier 38 bulkhead structure is a two-story wood framed concrete building which resides along the Embarcadero. It was built in 1936 and consists of approximately 13,000 square feet previously used as office and retail space. The pier shed is a single story, high ceiling warehouse building consisting of approximately 97,000 square feet. A portion of the pier shed which includes a mezzanine area had been used for office use consisting of approximately 10,000 square feet. The RFP defined the bulkhead rehabilitation project as consisting of the bulkhead and the office portion of the pier shed (also referred to below as the west pier shed).

³ <http://www.sf-port.org/modules/showdocument.aspx?documentid=4934>

⁴ <http://sfport.com/modules/showdocument.aspx?documentid=7078>

The Port selected TMG which is a joint venture partnership with TMG Partners and Premier Structures, a certified Local Business Enterprise (LBE). As required by the RFP, TMG has demonstrated the ability to renovate, manage and operate the bulkhead space and upgrade the life safety and other code improvements needed for occupancy. The improvements consist of base building core and shell improvements and tenant improvements, including repairs to the building façade, roof and windows, mechanical systems, seismic bracing, interior tenant improvements, Americans with Disabilities Act (ADA) upgrades such as an elevator, accessible bathrooms, and paths of travel and energy efficiency upgrades. In addition to the bulkhead improvements, TMG will make necessary repairs to the floating dock and gangway, enhanced public access improvements on the north apron, and make critical repairs to the substructure under Parcels A and B, including piles, beam and girders (as shown in Exhibit A).

TMG proposes to invest approximately \$11.89 million in the project of which \$8 million are hard costs, \$2 million are soft costs, \$1.5 million are initial Tenant Improvements, and \$0.38 million are initial leasing commissions (see Exhibit B). This is a preliminary budget based on an early stage of design and will change. The current hard and soft cost budget of \$10 million represents an increase of \$2.8 million from the budget of \$7.2 million represented to the Port Commission on November 18, 2014. The drivers of the cost increase are public access improvements, the current construction climate, and an increased contingency of 20% (from 10%). Seventy eight percent of the improvements will be made in the bulkhead building (Parcels A and B), 10% in the Pier Shed (Parcel C), and 12% in North Apron (Parcel D).⁵ The budget estimates includes the developer has calculated a use program that will not trigger a seismic upgrade of the entire pier. Undertaking such seismic upgrade would render the project financially infeasible.

Proposed Uses

Parcels A&B – Bulkhead/Shed Ground Floor

As shown on Exhibit A, the bulkhead and directly adjacent portion of the shed will continue to be used primarily for office space on the first and second floors for a total of approximately 21,000 square feet. In Parcel A (shown on Exhibit A), the northern portion of the first floor of the bulkhead/shed west will be used as a restaurant consisting of approximately 3,500-4,912 square feet. In the area of the main Pier 38 arch, the center drive aisle will remain to serve both vehicular and pedestrian access. On the south side of the center drive aisle on the ground floor of the bulkhead and adjacent portion of the shed, there will be approximately 1,000-12,150 square feet of office space and an office lobby. Restrooms for office and restaurant employees and restaurant patrons will be located in this area.

⁵ Pier Shed - Parcel B improvements include: repair of roll-up doors and clearstory windows, roof patching, asphalt floor patching, new fire sprinkler distribution system, provide event space electrical power, etc. North Apron – Parcel C improvements include: new concrete and asphalt paved surface, exterior space lighting and power, new deck railing and gate, benches and tables, trash receptacles, light poles, etc.

The office space will be targeted to creative- and technology-oriented users. TMG believes that they can attract such users because of Pier 38's unparalleled waterfront location, the unique character of the bulkhead and the attractiveness to an open floor plan with minimal interior divisions.

The ~~3,500~~ 4,912 square foot restaurant space, required as part of the RFP, would activate the northern portion of the pier apron and the adjacent Brannan Street Wharf. This dining area would be a distinctive use along The Embarcadero and the waterfront and would represent a public amenity.

The second floor of the bulkhead/west shed area, comprising Parcel B on Exhibit A, will be used for approximately ~~9,000~~ 16,915 square feet of office space.

Parcel C – Pier Shed East

Approximately 20 parking spaces⁶ will be provided solely for tenants of the refurbished office space. There will be no public parking under this lease.

A portion of the pier shed, or approximately ~~45,000~~ 38,880 square feet, will be used intermittently (i.e., 1 to 2 events per month) for temporary special events. Events will be staged on an "as-is" basis. Occupancy will be determined through the permitting process, but it is likely that the maximum number of users would be less than 500 per event. Events will be permitted individually by the Port and the San Francisco Fire Department through a "Temporary Public Assembly Permit". Events will likely include corporate events, private parties, trade shows and other private invitation only events.

TMG will maintain a drive aisle through its premises so that Port may retain access to the eastern end of the shed that is not within TMG's premises. The Port retains the right to use the eastern end of the shed of approximately ~~4052~~ square feet for any use with the condition that that use will not hinder TMG's ability to hold special events. In addition, this use may be subject to any required BCDC permit conditions.

Parcel D&E – Maritime Berth Area & Public Access

Within the 45,000 square foot water area comprising Parcel D, TMG will repair the existing gangway and floating dock of approximately 1,900 square feet on the north side of Pier 38. The floating dock will be made available for water taxi operators. Short term guest berthing will also be permitted. The refurbished gangway and floating dock will open to the public during the daytime. ~~The refurbished apron and the floating dock area represent approximately 6,200 square feet of new public access.~~

Parcel E includes the concrete marginal wharf, wood timber north apron and the floating deck and totals approximately ~~7,400~~ 7,478 square feet. The north apron portion will be refurbished to allow approximately 4,300 square feet of new public access from the Embarcadero.

⁶ The staff memorandum for the November 18, 2014 Port Commission presentation stated that there would be approximately 40 parking spaces.

Parcel D—Maritime Berth Area

This submerged area for water taxi and guest berthing will be included as part of the lease. The square footage will be determined as part of the lease; an initial estimate is approximately 50,000 square feet.

Proposed Lease Terms

<i>Approximate Square Footage of Rentable Premises:</i>	Parcel A Bulkhead/Shed <u>Ground Floor</u> : 24,500 _____ <u>17,062 square feet</u> Parcel B <u>Bulkhead/Shed Ground Floor</u> : _____ <u>16,915 square feet</u> Parcel C <u>Shed East</u> : _____ <u>38,880 square feet</u> Parcel D <u>Maritime Berth Area</u> : _____ <u>45,000 square feet</u> Parcel E <u>North Apron</u> : _____ <u>7,478 square feet</u> Total: _____ <u>126,900</u> _____ <u>125,335 square feet</u>
<i>Length of Term:</i>	25 years to 2040
<i>Lease Commencement:</i>	<p>The earlier of: 1) TMG obtaining all required regulatory approvals, 2) 6 months after Board of Supervisors approval of the lease if the Port does not grant a 3 month extension option due to TMG's failure to diligently pursue regulatory approval, or 3) 9 months after Board of Supervisors approval if Port grants a 3 month extension. If TMG fails to obtain all approvals within 9 months of Board of Supervisors approval (or 6 months of such approval if the extension option is not granted), then either party may terminate the lease. Lease is expected to commence by Fourth Quarter 2015.</p> <p><u>TMG has a 3 month due diligence period to examine seismic risk and environmental risk, and may terminate prior to Lease Commencement due to seismic or environmental conditions within that period.</u></p>
<i>Rent Commencement:</i>	TMG is obligated to pay rent beginning 12 months after lease commencement. Rent is expected to commence by Fourth Quarter 2016. There is a 12 month construction period in which no rent is paid.
<i>Base Rent:</i>	Base rent starts at \$25,000 a month (\$300,000 a year), and is escalated every five years based on a Consumer Price Index, but not less than 10% or more than 20%

	increase every five years. Base rent is re-set to fair market value after Year 20. ⁷
<i>Percentage Rent:</i>	<p>TMG pays to Port 20% of gross revenues TMG receives from Special Events up to \$750,000 and 15% of gross revenues TMG receives in excess of \$750,000.</p> <p>TMG pays to Port 15% of percentage rent that TMG receives from its restaurant subtenant. The payment will be due once a year following final reconciliation of restaurant percentage rent revenues.</p>
<i>Performance Standard for Special Events Use:</i>	<p>TMG must generate \$750,000 per year from special events for at least 1 of 3 consecutive years. If TMG does not meet this standard, the parties will agree on a different use that (i) is consistent with occupancy limits and (ii) generates higher revenue. Failure to achieve this target will not constitute a default under the Lease.</p> <p><u>If, for thirty-six (36) consecutive months no Special Events has occurred within Parcel C such that Parcel C remains unused and vacant (other than the accessory parking for up to twenty (20) automobiles described in the Basic Lease Information), then Port shall have the right, at its sole option, to propose to Tenant potential subtenants for the subleasing of Parcel C that would conform with the subleasing requirements of this Lease and Tenant shall consent, in its reasonable discretion, to the subleasing of Parcel C to such proposed subtenants.</u></p>
<i>Port Participation on Sale or Transfer:</i>	Port receives 6% of net transfer proceeds from the initial sale or transfer of TMG's interest in the lease and 15% of net sale or transfer proceeds for subsequent sales or transfers. ⁸ The Port does not participate in any refinancing proceeds.

⁷ The staff memorandum for the November 18, 2014 Port Commission presentation did not provide any market re-set.

⁸ The staff memorandum for the November 18, 2014 Port Commission presentation stated: "The lease provides 15% of net proceeds to the Port from sale or transfer of the lease above a 12% return on invested equity." Since there had been conflicting interpretations of the calculation of "return", Port staff again believes that this provides greater clarity in administering the lease.

<i>Construction of Initial Improvements:</i>	The lease requires TMG to invest approximately \$7,996,033 in capital investment into base building core and shell improvements such as structural and interior upgrades to the floor slab, beams and girders, new wall enclosures, new stairs for circulation and exiting, Americans with Disabilities Act-compliant bathroom and elevator, new plumbing, new heating, ventilation, and air conditioning system, new electrical service and distribution, new store fronts within the exterior roll-up doors opening evaluation, installing rolling doors to access the drive aisles, replacement of a portion of the steel sash windows consistent with the Secretary of the Interior's Standards for the Treatment of Historic Buildings ("Secretary's Standards"), and other interior and exterior improvements.
<i>Rent Credit for Initial Improvements:</i>	50% of base rent (i.e., in Year 2 total annual rent is \$300,000, the net annual base rent to the Port will equal \$150,000). Rent credits may be taken for base building core and shell improvements only and costs must be certified by Port prior to application of any rent credits. Rent credits expire at the end of Year 20. ⁹
<i>Substructure Inspection:</i>	TMG is obligated to perform a Rapid Condition Assessment ("RCA") of the pier's substructure every three years (or another schedule as mutually agreed) by a qualified engineer who will recommend necessary repairs and time period for when such repairs should be made.
<u><i>Sea Level Rise:</i></u>	<u>At any time, the Chief Harbor Engineer may determine that there is a need for pier flood mitigation measures at the Premises. "Pier Flood Mitigation Measures" may include temporary public access closures or sandbagging or more permanent measures such as relocating under-pier utility infrastructure, short perimeter flood walls, or raised first floor elevations. The Parties will meet and confer for up to nine (9) months to determine (i) the Recommended Mitigation Measures that should be implemented, (ii) the allocation of costs and responsibility for implementation, and (iii) the schedule for completion. Neither party is obligated to build pier flood mitigation measures.</u>

⁹ The staff memorandum for the November 18, 2014 Port Commission presentation stated that rent credits would be allowed for the twenty-five year term. In addition, there had been a provision that an additional 25% of annual total rent would set aside as a substructure reserve fund. This provision has been eliminated.

	<p><u>If the Parties cannot agree, and the Chief Harbor Engineer determines that failure to construct flood mitigation measures poses a threat to public health and safety, the lease will terminate.</u></p>
<p><u>Rent Credits for 1) Port-Approved Capital Items in the Final Five Years of the Lease or Flood Mitigation Measures, or 2) Substructure Repairs or Voluntary Seismic Upgrades to the Bulkhead Building</u></p>	<p><u>If TMG elects to invest in capital items in the final five years of the Lease approved by Port in its sole discretion or Flood Mitigation Measures approved by the Port in its reasonable discretion pursuant to the sea level rise adaptation provisions of the Lease, TMG will receive a rent credit for its investment equal to 25% of the base rent payable from Years 21 – 25 up to the amount of the investment plus an interest equal to prime plus 2% from the date of completion to Year 21.</u></p> <p><u>If TMG elects to invest in substructure repairs or voluntary seismic upgrades to the bulkhead structure approved by the Port in its reasonable discretion, TMG will receive a rent credit for its investment equal to an additional 25% of the base rent payable from Years 21 – 25 up to the amount of the investment plus an interest equal to prime plus 2% from the date of completion to Year 21.</u></p>
<p><u>Rent Increases in Years 21-25 if the Port Funds and Constructs Flood Mitigation Measures or Substructure Upgrades</u></p>	<p><u>If Port elects to invest in substructure repairs or Flood Mitigation Measures, such investment plus an interest equal to prime plus 2% will be repaid as additional rent in the same manner as a commercial landlord would pass through permitted capital expenses (i.e., the capital expenses would be amortized over the useful life of the capital improvement at a rate of the Port's cost of taxable debt). Rent increases associated with Flood Mitigation Measures will not exceed 25% of the then-current Base Rent.</u></p>
<p><u>Future Substructure Repairs:</u></p>	<p>Neither party is obligated to perform any additional substructure repair.</p> <p>If TMG elects to invest in substructure repairs, TMG will receive a rent credit for its investment equal to 25% of the rent payable from Years 21 – 25 up to the amount of the investment plus a reasonable rate of return from the date of completion to Year 21. This repayment structure applies only if the Port has no outstanding investment in the project.</p> <p>If Port elects to invest in substructure repairs, such investment will be repaid as additional rent in the same</p>

	manner as a commercial landlord would pass through permitted capital expenses (i.e., the capital expenses would be amortized over the useful life of the capital improvement at a rate of the Port's cost of taxable debt).
<i>Sea Level Rise</i>	The Chief Harbor Engineer may determine that the facility is prone to flood risks due to future sea level rise. The Parties will meet and confer regarding flood mitigation measures.
<i>Lease Termination Due to Red Tag</i>	If Port "red-tags" or condemns the <u>whole</u> pier, then the lease will terminate.

Financial Review of the Terms

The Port retained BAE Urban Economics, an economic consultant, to review TMG's pro-forma. BAE concluded that the proposed rent structure is estimated to generate between \$7.8 million and \$12.5 million in nominal dollars to the Port over the 25 year term. The modification to the deal terms from November 14, 2014 improved Port rent between 223% and 293%. TMG is projected to achieve an internal rate of return of between 9.7% and 16% by year 25. The key factor driving a higher return for TMG is special events revenue in Parcel C.

The table below shows the projected revenues to TMG and the Port from the proposed terms over 25 years.

	Base Case (low)	High Case
Projected Value of Port Rent		
1. Base Rent	6,119,685	6,119,685
2. 20% Special Events Revenue, 15% after \$750K	1,721,324	6,381,305
Projected Port Rent	\$7,841,009	\$12,500,990
Value of TMG Net Operating Income	\$33,934,218	\$54,319,494
Projected Internal Rate of Return	9.7%	16%
Return on Investment of \$11.8 million	185.4%	366.8%

Base case: \$250K special events gross revenue escalated 3%, general vacancy 3% plus releasing risk, project cost of \$11.89M, substructure investment of \$2.4M in years 13 & 15 and out year releasing commissions of \$1.4M are treated as expense. The base case does not include TMG or Port participation rent from the restaurant.
High case: \$1M special events gross revenues escalated 3%; all other factors are the same as the base case.

The Port's Five Year Financial Plan Fiscal Year 2015-16 to 2019-20 reviewed by Port Commission on February 6, 2015 includes \$275,000 of revenue from Pier 38 during the forecast period. The projected revenues from this project in the base case have improved 276%, to \$759,181 from the Five Year Financial Plan.

Port Capital Investment Option

- At the Port's request, TMG has offered an opportunity for the Port to make a capital investment in Port infrastructure and public access in this project and earn an equity return on this investment.
- The Port faces \$1.1 billion of unmet capital need over the next 10 years. Port staff continues to investigate opportunities to generate ongoing revenue to tackle this problem.
- capital investment would be structured in the lease as a tenant improvement allowance meaning the Port would provide cash for a tenant improvement allowance.
- the Port's tenant improvement allowance would be repaid by additional rent back over the term of the lease. The amount of the additional rent would depend on the economic performance of the project.
- But, the Port's return on the capital investment would be the same as other equity investors in the project.
- The lease will include this option at the Port Commission's sole discretion
- Port staff offers this innovative feature so that the Port Commission can consider a higher risk/ higher return option to generate ongoing revenue to address the Port's capital backlog. The Port earned 0.65% on cash in the City's Treasury in FY 2013-14.

The following represents an example to illustrate the structure of the capital investment option. The Port Commission elects to exercise the option to make a capital investment in the project equal to 20% of the initial project budget of \$11.89 million. The Port makes a capital investment of \$2.38 million dedicated solely to repair/improvement of Port infrastructure and creation of improved public access for the project; TMG and TMG's equity investors contribute \$9.51 million. The project would distribute return-of-capital and return-on capital from available net cash flow. The preferred return would be calculated at a rate ranging from 8% to 10% per annum. Available net cash flow would first repay the Port's \$2.38 million investment and the equity investors' \$9.51 million investment on a *pari passu* basis (subject to dilution based on future capital investments). If there is additional net cash flow after the return of capital and the payment of the preferred return, such proceeds would be shared among the developer and equity investors, including the Port, based on an agreed-upon percentage. The developer would receive up to 50% of the remaining net cash flow; the investors would receive at least 50%.

BAE Urban Economics (BAE) has projected the potential returns to the Port from a \$2.4 million capital investment into infrastructure and public improvements in the project. BAE's analysis is based on an assumption of an 8% annual interest rate, and 50% investor sharing in cash flow after the capital investment is repaid with interest.

	Base/Low Case	High Case
Total Port Investment	\$2,378,137	\$2,378,137
Return on Capital with 8% interest	2,699,225	2,650,961
Estimated year investment is repaid with 8% interest	11	8
Additional Cash Flow	<u>2,043,809</u>	<u>4,106,469</u>
Total Additional Rent	4,743,034	6,757,430
Additional Rent Less Port Investment	<u>\$2,364,897</u>	<u>\$4,379,293</u>
Return on Investment	99%	184%

Amounts in nominal dollars. Interest of 8% compounds quarterly.

BAE conducted sensitivity analysis which considers economic risks to the project and the assumptions underlying the base case. BAE concluded that increases in development costs and reduction or elimination of the special events revenue are the primary risk factors to consider. BAE conducted analysis of construction cost increase of 25% and no revenue from special events which also assumes that the 45,000 s.f. area is rendered unleaseable for storage. In this scenario the Port recovers its \$2.4 million capital investment with 8% preferred return by the end of the 25 year lease term. However, such recovery would still be 100% greater than the Port's more traditional capital investments on which no direct monetary return is received.

Like other Port capital investments in facilities the Port controls, the return on investment would be at risk. However, the Port owns the improvement and making capital investments to maintain and improve the Port's assets is fundamental to the Port's Public Trust mission and core business operations. The risk profile of this investment would be different for the Port compared to other investors because the Port will own these improvements in the case of bankruptcy and upon termination of the lease.

The lease will include the option for the Port Commission to make an investment in Port infrastructure and public access for this project. The Port Commission must elect this option and Port staff must secure appropriation authority through the Board of Supervisors by October 30, 2015 to exercise this option. As is our practice with any Port capital investment, Port staff will review this capital investment opportunity in the Port's Capital Planning Committee (CPC) and score the project to analyze opportunity costs. Evaluation of opportunity cost will compare unfunded projects to this opportunity. Port staff will present these findings and analyses to the Port Commission in summer of 2015 for the Port Commission to review and provide further instruction to staff, including approval if applicable.

Local Business Enterprises

The Port encourages the participation of local business enterprises (LBEs) in TMG's operations. As noted above, TMG's partner, Premier Structures, is an LBE. In consultation with the City's Contract Monitoring Division, TMG agrees to implement good faith outreach efforts to solicit further LBE participation in its operations and provide annual reporting of its efforts to the Port. TMG has identified areas where LBE participation may be implemented: 1) suppliers of goods and equipment, janitorial services, valet parking, printing and some design services for interior signage, etc.; and 2) events: marketing design, website and social media services, suppliers of goods and equipment, janitorial, printing, etc.

TMG Partners has prepared an LBE Utilization Plan as shown in Exhibit E to this report. Effective July 1, 2015, all development agreements adopted by the San Francisco Board of Supervisors will be required to include a Local Business Enterprise ("LBE") utilization plan with subcontracting goals. In advance of the deadline, TMG Partners have agreed to voluntarily accept the provisions of the forthcoming LBE Ordinance to offer contracting opportunities for Contract Monitoring Division ("CMD") certified LBE firms.

Veronica Sanchez Consulting, a certified woman-owned LBE, developed the plan which includes the creation of a project specific website and good faith outreach efforts to notify LBEs of upcoming contract opportunities; the creation of clear and objective selection criteria in project solicitations to maximize LBE participation; and a commitment that at least 20% of all contract costs for the project are awarded to CMD certified LBEs.

TMG Partners will also develop and distribute a "Buy San Francisco List" comprised of LBE firms offering services frequently used by event promoters, such as photographers, florists, and printers. The "Buy San Francisco List" will be posted on the project website and distributed to event management companies working at Pier 38. Finally, the plan provides bi-annual reporting requirements to monitor TMG Partners' progress in meeting the plan's LBE subcontracting goals. TMG Partners' reports and updates will be incorporated into future quarterly contract activity reports.

Climate Change

Repair and re-tenanting of the Pier 38 bulkhead may result in these improvements being placed at risk as sea levels rise over the next decades. The lease includes provisions to address future flood mitigation measures, should these be needed to protect the property or public safety (i.e., along the public access apron). During the term of the proposed lease, there is some risk that the maintenance of the substructure of this facility will be more difficult and expensive to maintain.

Update on Permitting and Regulatory Approvals

California Environmental Quality Act (CEQA)

An Environmental Evaluation application was filed in July 2014. On March 31, 2015, the City Planning Department issued a Class 32 Categorical Exemption certificate¹⁰ for the Pier 38 project. This exemption concludes the environmental review of the project and allows the Port Commission to take action on the lease. The Categorical Exemption can be reviewed through the following link:
<https://aca.accela.com/ccsf/Cap/CapDetail.aspx?Module=Planning&TabName=Planning&capID1=14HIS&capID2=00000&capID3=01STO&agencyCode=CCSF&IsToShowInspection=>

If the Port Commission approves the proposed Lease through the attached Resolution based on these categorical exemptions, its action constitutes the "Approval Action" (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13). As such, the CEQA decision prepared in support of this Approval Action will be subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action¹¹

San Francisco Bay Conservation and Development Commission (BCDC)

Port staff and TMG have met with BCDC staff several times to review and discuss the BCDC permitting requirements of the project. Following these meetings, TMG prepared a proposed Public Access Plan (see Exhibit C) and presented it to BCDC and Port staff. The project includes additional dedicated public access areas on the north apron and floating dock as well as improvements to this area and additional amenities to the existing Embarcadero Promenade.

The Pier 38 bulkhead and shed are considered to be within BCDC's "shoreline band" jurisdiction. The major requirements within this area are the provision of maximum feasible public access consistent with the project, and visual and physical access to the Bay.

¹⁰ The California Environmental Quality Act (CEQA) allows for certain exemptions from CEQA. The Class 32 exemption is issued for in-fill development projects that meet the following conditions: a) the project is consistent with the applicable general plan designation and all applicable general plan policies as well as applicable zoning designation and regulations, b) the proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses, c) the project site has no value as habitat for endangered, rare or threatened species, d) approval of the project would not result in any significant effects relating to traffic, noise, air quality or water quality and e) the site can be adequately served by all required utilities and public services.

¹¹ For information on filing an appeal under Chapter 31, **see the Port Commission agenda under NOTICES** and contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184.

California State Lands Commission (State Lands)

For most recent Port mixed use development projects with lease terms of up to 66 years, Port staff and its development partners have obtained independent review by State Lands staff to examine each project's consistency with the common law public trust for commerce, navigation and fisheries (Public Trust) and Chapter 1333 of the Statutes of 1968, under which the City of San Francisco holds its grant of lands constituting the Port (Burton Act). At the conclusion of this process, State Lands has transmitted a letter indicating that the project is trust consistent. Project sponsors and their lenders have often taken comfort in a State Lands letter confirming trust consistency. This process is not a legislative requirement and the Port retains a right under the Burton Act to find its own projects to be trust consistent.

The Burton Act granted the Port the authority to manage, regulate, and improve its waterfront, including the repair of its facilities for limited periods not exceeding 66 years. Port staff believes that the approval of this proposed lease having a term of 25 years is within the Port Commission's authority under the Burton Act and that the proposed lease is consistent with the public trust.

The project team and Port staff have met with State Lands staff to present the project, and confirm the rationale for a Port public trust consistency finding. While not requested at this time, TMG and the Port may in the future seek a more formal concurrence from State Lands as to the public trust consistency of this project to the extent both parties determine it necessary or desirable for the financing or leasing of the project. In Exhibit D, staff has included a more comprehensive rationale for public trust consistency that includes the planning context for the project, the history of Pier 38, the Port's objectives for the project, and the proposed program of uses in the project. The analysis in Exhibit D will form the basis of findings that the Pier 38 bulkhead lease is consistent with the public trust and the Burton Act which staff will recommend that the Port Commission adopt as part of its approval of the lease.

Project Benefits

The development proposed by TMG meets the objectives of the RFP and provides tangible benefits for the South Beach community. The project will create 6,200 square feet of public access area and a pedestrian link to the recently completed Brannan Street Wharf. The Port has a growing water taxi program along the waterfront. The planned floating dock will add a new landing adjacent to the Giants ballpark and increase service to the central waterfront.

The over 100 year old bulkhead building has been closed since 2012 because of its deteriorated condition. The project will be restored these facilities using the Secretary of the Interior's Standards for historic rehabilitation. The public/private partnership will leverage limited City funds by generating approximately \$11.9 million of private investment into a Port asset. The Port Capital Investment Option may allow the Port to realize a sizable return on its investment.

Next Steps

Following direction and input from the Port Commission and the public, approval of the Pier 38 bulkhead lease agreement will be presented for Port Commission consideration and the parties have completed lease negotiations. Port staff currently expects that the final lease will be ready for Port Commission consideration at its May 26, 2015 meeting. Following Port Commission consideration of the lease, the Board of Supervisors must approve the lease and the BCDC must issue a permit for Pier 38.

Prepared by: Brad Benson
Director of Special Projects

Elaine Forbes, Deputy Director
Finance & Administration

John Doll
Development Project Manager

Jeffrey A. Bauer
Senior Leasing Manager

For: Byron Rhett, Deputy Director
Planning & Development

Exhibits:

Exhibit A – Site Plan: Parcels A, B, C, D & E

Exhibit B – Project Budget

Exhibit C – Public Access Plan

Exhibit D – Pier 38 Public Trust Consistency Analysis

Exhibit E – LBE Utilization Plan for Pier 38

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-19

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns in trust the Pier 38 site, consisting of approximately 68,000 square feet of shed space, 28,000 square feet of apron space, 7,800 square feet of bulkhead office space, and 180,000 square feet of water space, located at Delancey Street and The Embarcadero in the South Beach Harbor Mixed Use Opportunity Area of the South Beach/China Basin Waterfront area of the Waterfront Land Use Plan ("Waterfront Plan") adopted by the Port Commission; and
- WHEREAS, Pier 38 was originally constructed as a breakbulk storage facility in 1908, with later additions constructed in 1932 and the Pier 38 bulkhead buildings constructed in 1934-36, and is the second oldest of the Port's remaining Pier structures; and
- WHEREAS, Pier 38 is a contributing resource to the Port of San Francisco Embarcadero Waterfront Historic District ("Embarcadero Historic District") listed on the National Register of Historic Places, and is notable for its unique role in San Francisco's maritime history, as well as for its architectural merit; and
- WHEREAS, The creation of the Embarcadero Historic District included Port Commission adoption of Resolution 04-89 requiring that all work (repair, alteration and construction) within the district be consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties ("Secretary's Standards") , as judged by the Port's qualified historic preservation staff through the Port's building permit process; and
- WHEREAS, On September 25, 2012, the Port Commission, by Resolution 12-74, authorized Port staff to issue a request for proposals ("RFP") for the lease of the Pier 38 bulkhead building and a portion of the shed (collectively, the "bulkhead building"), and manage the solicitation process consistent with the goals and objectives and the selection process as described in the staff report which accompanied that resolution; and
- WHEREAS, On December 12, 2013, the Port Commission by Resolution 13-51, awarded to TMG Partners, a California corporation, the Bulkhead Rehabilitation opportunity described in the RFP ("Pier 38 Bulkhead Rehabilitation") and directed Port staff to negotiate the terms of a lease

for the Bulkhead Rehabilitation that achieves the objectives specified in the RFP; and

- WHEREAS, Port staff and TMG Partners have negotiated terms for Lease No. L-15892 ("Lease") incorporating the material business terms set forth in the Memorandum for Agenda Item 11A for the Port Commission meeting on May 26, 2015, a copy of which is on file with the Port Commission Secretary; and,
- WHEREAS, An affiliate of TMG Partners may execute the Lease ("TMG"); and
- WHEREAS, The proposed conceptual plans for the Pier 38 Bulkhead Rehabilitation (the "Conceptual Plans") were reviewed by both the Port's qualified historic preservation staff and qualified Planning Department historic preservation staff, and the Conceptual Plans were found to be consistent with Secretary's Standards; and
- WHEREAS, On March 31, 2015, the Planning Commission issued a Categorical Exemption, Class 32 (State CEQA Guidelines Section 15332) for the Pier 38 Bulkhead Rehabilitation project; and
- WHEREAS, As further described in Exhibit C to the staff report accompanying this resolution ("Pier 38 Bulkhead Rehabilitation Trust Analysis"), Port staff and TMG presented the proposed project to the California State Lands Commission Executive Officer and her staff to describe the manner in which the project furthers the purposes of, and is consistent with, the Burton Act and the public trust for commerce, navigation and fisheries ("Public Trust"); and
- WHEREAS, The project includes the following elements: significant exterior public access to enable public viewing of the historic pier; significant improvements to the bulkhead and pier shed in a manner that is consistent with Secretary Standards for the Treatment of Historic Properties; a gangway and floating dock for a water taxi stop and guest docking; a restaurant; maximum feasible interior public access; and office use limited to what is necessary for project financial feasibility; and
- WHEREAS, Port staff intends to return to the Port Commission in July, 2015 to seek direction related to the Port's option to make a capital investment in Pier 38 in consideration for additional rent as further described in the Memorandum for Agenda Item 11A for the Port Commission meeting on May 26, 2015; now, therefore be it
- RESOLVED, Based on the Pier 38 Bulkhead Rehabilitation Trust Analysis, the Port Commission finds that the Pier 38 Bulkhead Rehabilitation is consistent with, the Burton Act and the Public Trust; and, be it further

RESOLVED, That pursuant to its authority under Section 3 of the Burton Act, the Port Commission authorizes and directs the Executive Director of the Port ("Executive Director") to forward the Lease to the Board of Supervisors for approval pursuant to its authority under Charter Section 9.118, and upon the effectiveness of such approval, and subject to terms of the Lease, as applicable, to execute the Lease in substantially the form of the Lease on file with the Port Commission Secretary, and in such final form as is approved by the Executive Director in consultation with the City Attorney; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director, to enter into any additions, amendments or other modifications to the Lease, including preparation and attachment of, or changes to, any or all of the attachments and exhibits that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions that the Lease contemplates and effectuates the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of such additions, amendments or other modifications; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director and any other appropriate officers, agents or employees of the City to take any and all steps (including the execution and delivery of any and all certificates, agreements, notices, consents, and other instruments or documents) as they or any of them deems necessary or appropriate, in consultation with the City Attorney, in order to consummate the transactions contemplated under the Lease, in accordance with this resolution, or to otherwise effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by such person or persons of any such documents; and be it further

RESOLVED, That the Port Commission approves, confirms and ratifies all prior actions taken by the officials, employees and agents of the Port Commission or the City with respect to the Lease.

I hereby certify that the Port Commission at its meeting of May 26, 2015 adopted the foregoing Resolution.

Secretary

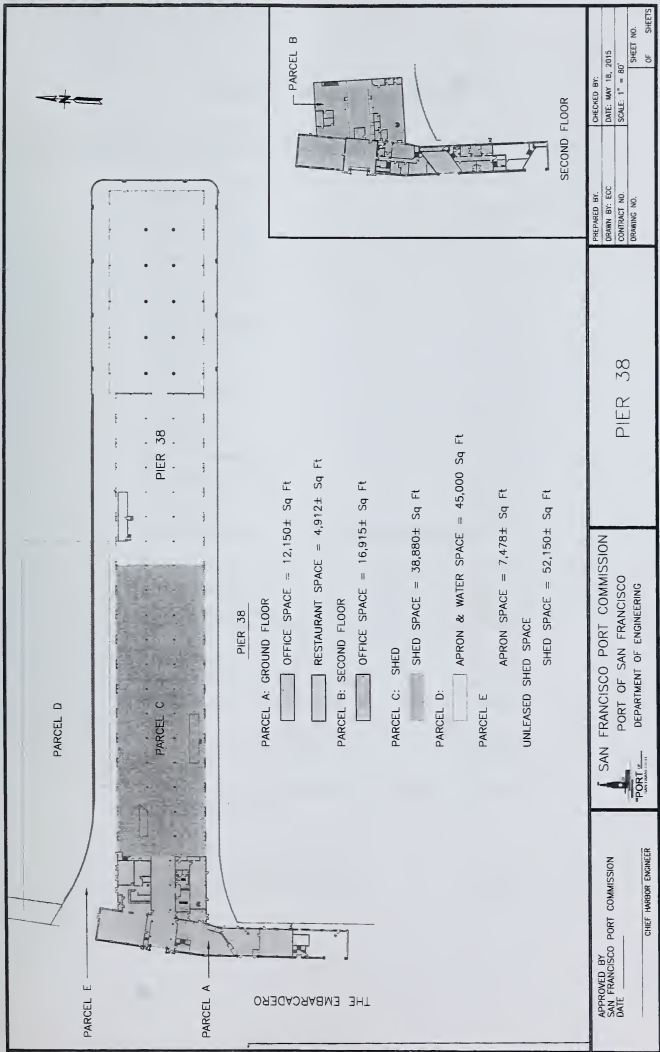


EXHIBIT A

Exhibit B – Project Budget (1 of 2)

Preliminary Breakdown of Development Costs

Estimated based on information provided by TMG 4-13-15

Development Costs		
Reconstruction		305,843
Exterior Vertical Enclosures		1,190,084
Exterior Horizontal Enclosures		169,582
Interior Construction		502,664
Finishes		666,362
Conveying (Elevator		103,359
Plumbing		560,748
HVAC		570,860
Fire Protection		301,055
Electrical		650,000
Demolition		234,297
Site Improvements		741,555
Substructure Repairs		880,000
Guest Dock		240,000
<i>Subtotal*</i>		<i>7,116,408</i>
<hr/>		
Building Permit Fees at	2.15%	152,712
Owner's contingency	10.00%	726,912
Total Hard Costs		7,996,033
<hr/>		
Soft Costs	25.00%	1,999,008
Initial Tenant Improvements		1,513,200
Initial Lease Commissions		382,442
<hr/>		
Total Development Costs		11,890,683
<hr/>		
*Costs include a 5% contingency, a 5% design contingency, and escalation of 6%.		

Items Treated As Expenses

Substructure Repairs Yr 13 and 15	\$	2,400,000
Re-Leasing Costs Yr 11 and 21/22	\$	1,434,386

Exhibit B – Project Budget (2 of 2)

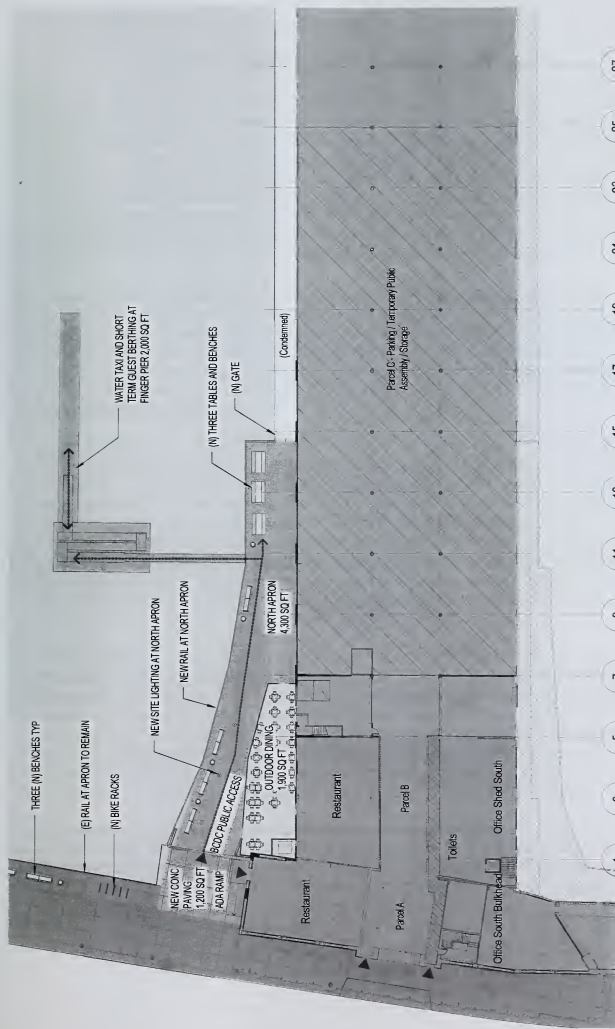
Preliminary Hard costs by Parcel

Estimated dated 4-13-15

Initial Improvements Budget-Hard Construction Costs

		Parcels A & B: Bulkhead & Shed	Parcel C: Event Space	Parcel D: North Exterior & Guest Dock	Total Project
B15	Reconstruction	285,802	20,041		305,843
B20	Exterior Vertical Enclosures (Note 1)	1,160,523	29,561		1,190,084
B30	Exterior Horizontal Enclosures	114,457	55,125		169,582
C10	Interior Construction	485,920	16,744		502,664
C20	Finishes	630,498	11,163	24,701	666,362
D10	Conveying (Elevator	103,359			103,359
D20	Plumbing	560,748			560,748
D30	HVAC	570,860			570,860
D40	Fire Protection	132,924	168,131		301,055
D50	Electrical	365,106	242,550	42,344	650,000
F30	Demolition	186,831	22,326	25,140	234,297
G20	Site Improvements	117,530	9,096	614,929	741,555
Plant estimate		4,714,558	574,737	707,114	5,996,408
Substructure Repairs		880,000	--	--	880,000
Guest Dock		--	--	240,000	240,000
Power Engineering Estimate		880,000	--	240,000	1,120,000
Building Permit Fees at 2.15%					152,712
Owner's contingency 10.00%					726,912
Total Initial Improvements Hard Cost Budget					7,996,033

Note 1: All glass "storefront" inserts for rollup doors included in Parcels A&B budget, Plant estimate includes a 5% contingency, a 5% design contingency, and escalation of 6%



Pier 38 Phase 1
 TMG Pier 38 Partners LLC

Pier 38 Construction San Francisco

11/07/14

Exhibit C - Public Access Plan

PERKINS
 + WILL

Exhibit D – Pier 38 Public Trust Consistency Analysis

For most recent Port mixed use development projects with lease terms of up to 66 years, Port staff and Port development partners have solicited and obtained independent review by the staff of the California State Lands Commission ("State Lands") to examine each project's consistency with the common law public trust for commerce, navigation and fisheries (the "public trust") and Chapter 1333 of the Statutes of 1968, under which the City of San Francisco holds its grant of lands constituting the Port (the "Burton Act"). At the conclusion of this process, the Executive Director-Officer of State Lands has transmitted a letter to the Port finding Port mixed use development projects consistent with the public trust and the Burton Act.

The process of consulting with State Lands is not a legislative-statutory requirement and the Port Commission retains a right under the Burton Act to find its own projects consistent with the public trust. Project sponsors and their lenders have, however, often taken comfort that State Lands recognizes that a proposed mixed use program in an historic maritime asset can be consistent with, and furthers the purposes of, the public trust and the Burton Act, if significant public trust uses and public access are incorporated in the project.

Under the Burton Act (Statutes of 1968, Chapter 1333), the state granted to the San Francisco Port Commission complete authority to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of the harbor of San Francisco which are not prohibited by State law or the City Charter and which are in conformance with the Burton Act. The Port's authority includes the reconstruction and repair of public or commercial buildings, preservation or restoration of marine-maritime resources and the lease of these facilities for limited periods not exceeding 66 years for purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation.

Port staff believes that the approval of a lease having a term of 25 years is within the Port Commission's authority under the Burton Act and that the proposed lease is consistent with the public trust. The project team and Port staff have met with the California State Lands Commission ("State Lands") staff to present the project, and the rationale for a Port Commission public trust consistency finding. While not requested at this time, TMG and the Port may in the future seek a more formal concurrence from State Lands as to the public trust consistency of this project to the extent both parties determine it necessary or desirable for the financing or leasing of the project.

This exhibit to the staff report describes the planning context for the project, the history of Pier 38, the Port's objectives for the project as articulated in the Request for Proposals and the proposed program of uses in the project. It concludes with the Port staff analysis as to how the project furthers the purposes of the public trust for commerce, navigation and fisheries and is within the Port's authority under the Burton Act.

Planning Context

In 2001, through AB 1389, the State legislature ratified the BCDC San Francisco Waterfront Special Area Plan (the "Special Area Plan") as necessary to the health, safety and welfare of the public in the entire Bay Area and declared that the Special Area Plan should provide for, among other things, a historic preservation mechanism to ensure preservation of important historic resources on the piers and the ability of the Port to repair, improve, or use the piers not designated for removal between Pier 35 and China Basin for any purpose consistent with the Burton Act, the public trust and the Special Area Plan. The Special Area Plan contains policies to allow for the repair and rehabilitation of existing piers, pier sheds, bulkheads and connector buildings that are listed on the National Register and/or listed as a California Historic Landmark, consistent with the Secretary's Standards. Consistent with these policies, State Lands has concurred for various mixed-use projects that preservation of historic structures furthers the purposes of the public trust when combined with other public trust uses and public access (for example, the Ferry Building and Piers 1 ¹/₂, 3 and 5, among others), and when the project is consistent with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings.

Around the same time as the Special Area Plan was created, the Port Commission in 1997 adopted the Waterfront Land Use Plan ("Waterfront Plan") pursuant to its authority under the Burton Act. Together with the Special Area Plan, the Waterfront Plan establishes an overall program of harbor development for property under Port jurisdiction. The Waterfront Plan includes Pier 38 within the South Beach/China Basin Waterfront Area and identifies Piers 38 and 40 together as part of the "South Beach Harbor Mixed Use Opportunity Area Transitional Maritime Areas.

The Waterfront Plan identifies the following objectives for the South Beach/China Basin Waterfront Area:

- Preserve and rationalize existing industrial maritime activities in the area.
- Preserve and improve existing maritime uses that provide focal points for public enjoyment of commercial and recreation oriented maritime activities.
- Promote activities and public access to make the waterfront inviting and safe, and improve the living environment of the new and emerging Rincon Hill, South Beach and Mission Bay neighborhoods.
- Take advantage of proximity to downtown San Francisco by providing attractions for the general public, while respecting the needs of adjacent residents.
- Create an integrated series of public access improvements that extend a shoreline PortWalk through the area, and provide a unifying pedestrian connection between South Beach and Mission Bay at China Basin Channel.

- Establish high standards in the design of new development that give rise to a new architectural identity for the shoreline north of China Basin Channel.

Pier 38 is also part of the South Beach Harbor Mixed Use Opportunity Area under the Waterfront Plan, which includes the following Development Standards:

- Permit expansion of excursion boat operations and recreational boating activities at Pier 38.
- Permit consolidation of maritime support services at Pier 38.
- Permit interim uses on Pier 38 until long-term uses of these facilities can be realized.
- Apply "Good Neighbor" standards to bars, restaurants which sell alcohol, large fast food restaurants, and assembly and entertainment uses on Pier 38, unless the Port Commission makes a specific finding that a particular condition is unnecessary or infeasible.
- The design of any new development on Pier 38 should provide appropriate buffers, setback or other design solutions for open air bars, restaurants, and nighttime.

Pier 38 History and the Embarcadero Historic District

Pier 38 was originally constructed in 1908 (with a later addition constructed in 1932) and is the second oldest of the Port's remaining Pier structures; it was originally utilized as a break bulk storage facility. Pier 38 is designated as a contributing resource to the Port of San Francisco Embarcadero Waterfront Historic District ("Embarcadero Historic District"), which is a National Register Historic District. As a contributor to the Embarcadero Historic District, Pier 38 is notable for its unique role in San Francisco's maritime history, as well as for its architectural merit.

In 1934 and 1936, the bulkhead building was constructed. As reported in the State Board of Harbor Commissioner's 1934-36 Biennial Report, "[t]he building is a steel frame structure with metal lath and plaster walls, steel sash, and steel rolling doors at the main pier and railroad entrances . . . The entire second floor is occupied by offices and the first floor is used for offices, ship's stores and cargo."

The Embarcadero Historic District was found eligible for the National Register of Historic Places under criterion B in the area of Labor, at the national level of significance, for its association with Harry Bridges, leader of the 1934 Big Strike. Pier 38 was the center of the 1934 strike (known as the Big Strike) as "one of the great battles in the history of the American working class . . . an eighty-three-day drama [that] transformed labor relations

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in the Pacific Coast maritime industry and ushered in an era of militant unionism . . .” (Nelson 1988:127)

The Embarcadero Historic District was also found eligible for the National Register of Historic Places under criterion C at the local level of significance in the related areas of Architecture and Community Planning and Development as a manifestation of the City Beautiful Movement. The Pier 38 Bulkhead, constructed in the Mission Revival style, is an outstanding example of the port buildings built between 1912 and 1938 that were provided with monumental architectural imagery that reflected the goals of the City Beautiful Movement — to modernize and beautify American cities including their industrial and working districts — by means of rational planning, up-to-date technology, and architectural design. In recent years, the Pier 38 Bulkhead has fallen into disrepair and is currently red-tagged and vacant.

Port Request for Proposals Objectives

The Port’s Request for Proposals (“RFP”) to rehabilitate the Pier 38 bulkhead building, issued on November 16, 2012, included the following objectives (collectively, the “Port Objectives”):

- Repair the Pier 38 bulkhead building which may include: remedy structural deficiencies, replace or repair mechanical, electrical and plumbing systems, and construct any other improvements, including egress and ADA, needed to meet the City’s building code requirements as well as other regulatory requirements, including consistency with the Secretary Standards.
- Develop the most effective implementation strategy to quickly re-tenant the Pier 38 bulkhead building in order to achieve the Port’s goal of bringing it back into economic use and provide an on-going revenue stream to the Port.
- Encourage the re-tenanting of the Pier 38 bulkhead building to include: office, high technology uses, visitor-serving commercial, entertainment and cultural uses, and, maritime uses that complement adjacent waterfront development.
- Continue the redevelopment of the South Beach waterfront from the Bay Bridge to AT&T Ballpark, by reviving this historic structure, and helping knit Pier 38 into the South Beach neighborhood by bringing people and business activity to the waterfront.
- Demonstrate how the short-term Pier 38 bulkhead building rehabilitation will not inhibit a long-term reuse of Pier 38 (i.e., ensure that the short-term construction and operation would not hinder possible subsequent redevelopment of the entirety or majority of Pier 38).
- Develop a plan to improve the physical appearance of the bulkhead building and pier shed.

- Require that any adaptive reuse will be consistent with the Secretary of Interior's Standards for the Treatment of Historic Properties ("Secretary Standards").
- Require a sustainable development program that minimizes the reliance on private automobiles, uses energy efficiently and, as possible, includes alternative energy sources that comply with the City's Green Building Standards.
- Secure private financial investment to rehabilitate and revive the Pier 38 bulkhead building in the near term.
- Provide business and employment opportunities for local workers and businesses during the design, construction and operation phases of the Pier 38 bulkhead building.
- Provide security for the entire Pier 38.

Proposed Use Program

The Pier 38 bulkhead project contemplates the following uses:

Proposed Pier 38 Use Program	
Use	Approximate Square Feet
North Apron Public Access	6,080 <u>7,478</u>
Maritime Use – Gangway, Floating Docks & Water Area	45,000
Restaurant	4,912
General Office	29,065
<i>Subtotal</i>	85,057 <u>86,455</u>
Special Events	48,640 <u>38,880</u>
Total	133,697 <u>125,335</u>

The project provides significant exterior public access and maximum feasible interior public access so that the public is able to view and fully appreciate the qualities that make this maritime resource worthy of historic preservation.

The North Apron public access – an area of the pier that has been closed to the public since the Port red-tagged Pier 38 – will create an important public space facing north, overlooking Brannan Street Wharf, consistent with the South Beach/China Basin Waterfront Area objective of creating maximum feasible public access through an integrated series of public access improvements in the area. Additionally, the public will be able to view into the pier shed along the North Apron and see the historic maritime character of the pier through new glass windows and doors installed in the roll up doors.

TMG will also restore the gangway and floating dock in this area and make the gangway available for a water taxi landing and public berthing. The entire northern portion of the ground floor of the project facing Brannan Street Wharf will be reserved for public trust consistent uses, including the guest dock, water taxi landing, public access, and restaurant.

The ground-level dining establishment promotes the Port's overall program of improvements for the area, integrating the facility with its spectacular City and Bay settings by providing an attractive venue within which workers, residents and visitors to the City may find an intimate waterfront dining environment, transient public berthing facilities for water taxis and recreational vessels, and a high-quality public access network providing close views of the water and the historic structures.

The general office uses in the project are generally restricted to the historic bulkhead building, which previously included office uses and is limited to what is necessary for the financial feasibility of the overall project. A portion of the shed used for special events will take full advantage of its prime water location through the installation of new full height glass that will provide attendees with views of the Bay, The Bay Bridge, Yerba Buena Island and Treasure Island. The special event space will be available for hire to any organization or member of the public that wishes to use it, and will be available as a resource for Port tenants and the City's convention and visitor's bureau, San Francisco Travel. The cargo shed space will remain intact and allow special event guests to view the large volume high ceiling space and the historic pier truss work. All pier rehabilitation work will be done consistent with Secretary Standards.

Port and City Staff Have the Experience and Review Processes Required to Ensure Compliance with Secretary Standards

The Port prepared and submitted the Embarcadero Historic District nomination to the National Park Service in 2006 to list the district in the National Register of Historic Places. The nomination was prepared over the course of a six year period and included historical research, analysis and documentation as well as extensive outreach to historic preservation stakeholders and the public.

The creation of the Embarcadero Historic District included Port Commission adoption of Resolution 04-89 requiring that all work (repair, alteration and construction) within the district be consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties. This review is performed by the Port's qualified historic preservation staff.

The Port has four completed, and one active, major rehabilitation projects approved or under review by the National Park Service ("NPS") that have or will receive Federal Rehabilitation Tax Credits. The Port has developed a close working relationship with the California Office of Historic Preservation ("OHP") and NPS. Port staff is familiar with the best practices developed by both agencies and is expected to provide an initial screening of proposals for consistency with the Secretary's Standards. Only those

projects that the Port finds consistent with the Secretary's Standards are allowed to advance in the review process to be submitted as applications or amendments for OHP and NPS review and approval.

For non-tax credit projects such as Pier 38, Port staff review of projects includes recommendations that allow projects, or portions thereof, that are inconsistent to achieve consistency with the Secretary's Standards. The Port's historic preservation staff has access to a variety of design professionals (planners, architects, landscape architects, urban designers and engineers) through its Waterfront Design Advisory Committee which is comprised of other design professionals on staff. The Port's historic preservation staff also consults with other qualified historic preservation staff at the San Francisco Planning Department, a certified Local Government, and consultants for purposes of obtaining peer review of a proposal.

The Pier 38 project is limited in scope and does not significantly change the use of the pier. The scope includes repair, facility upgrades to achieve code compliance, as well as minor alterations and a tenant build-out within the existing historic bulkhead building. The San Francisco Planning Department reviewed and determined the project to be Categorically Exempt from the California Environmental Quality Act. This determination was based in part on a Historic Resource Evaluation by Planning staff that was the basis for finding the project design consistent with the Secretary's Standards. The Port administers its own Building Code and is its own permitting authority. Applications for building permits within the Embarcadero Historic District are reviewed by Port historic preservation staff pursuant to Port Commission Resolution No. 04-89 to determine whether the scope of work is consistent with the Secretary's Standards and the CEQA determination. Project scopes of work that are inconsistent or exceed the scope of the CEQA determination may require additional environmental review. This additional environmental review would address any potential impacts on the subject resource not previously evaluated. Finally, the Lease requires that TMG maintain the facility, after making the initial improvements, to a standard equal to the Piers 1.5-3-5 project.

The Project as a Whole is Trust Consistent

The proposed lease which includes the mixed-use occupancy of Pier 38, with office, ground level restaurant and special event space, would best support the trust objectives of preserving and rehabilitating Pier 38, improving public access and use, and providing maritime facilities through the water taxi and public guest-berthing dock. The project allows the Port to preserve an important maritime resource, one that is both emblematic of the maritime transportation terminal architecture of that era with its integrity of location, design, setting, materials, workmanship, and the presence of many of the original architectural features and details, and the Port's maritime history.

Taking the project as a whole, Port staff recommends that the Port Commission find the project consistent with the public trust and the Burton Act, and that the project promotes the Port's overall program of improvements for the South Beach/China Basin Waterfront Area, due to the following elements:

- The project provides significant maximum feasible exterior public access so that the public is able to view and fully appreciate the qualities that make this maritime resource worthy of historic preservation through the design of a large public plaza on the north side of the pier shed that provides significant public access through the north apron adjacent to the project and allows the public to view the historic elements of the interior of the shed building from the north apron through new full-height, glass windows and doors;
- Significant improvements to the appearance of the pier shed that can be viewed from the newly constructed Brannan Street Wharf;
- A gangway and floating dock on the north side of Pier 38 for use by the Port's approved water taxi operators and for public guest docking for smaller vessels;
- Historic rehabilitation of the bulkhead building, a significant historic resource, and front of the shed consistent with Secretary's Standards;
- Use of a portion of the ground floor for a restaurant that will attract visitors to Pier 38;
- The project provides maximum feasible interior public access so that the public is able to view and fully appreciate the qualities that make this maritime resource worthy of historic preservation through the use of the historic single story high bay cargo shed as a new special event space that will take full advantage of its prime water location through the installation of new full-height glass that will provide attendees with views of the bay, the Bay Bridge, Yerba Buena Island, and Treasure Island; and
- Use of the bulkhead and a portion of the pier shed for office limited to what is necessary for the financial feasibility of the overall project and for sublease periods of no more than 10 years in a manner that is consistent with historic use of the bulkhead, which will promote the safety and security of the pier and allow for a financially feasible rehabilitation of the pier.

In its red-tagged condition, Pier 38 may be permanently lost as an important public trust asset if the Port cannot repair and re-tenant the pier quickly enough. The Port must conserve revenues to operate, maintain and improve the harbor of San Francisco and therefore the Port cannot directly fund all necessary capital improvements to repair historic Port facilities such as Pier 38 in a timely manner. If the Port is unable to take advantage of private investment to rehabilitate Pier 38, with sufficient economic potential to make its historic rehabilitation feasible, this public trust asset will not be restored and the proposed trust activities will not occur.

EXHIBIT E

PIER38 REHABILITATION PROJECT

Local Business Utilization Plan

Pier 38 Associates, LLC

TMG Partners and Premier Structures, LLC

**Submitted to San Francisco Port Commission
May 26, 2015**

**Prepared by Veronica Sanchez Consulting
a San Francisco Local Business Enterprise**

EXECUTIVE SUMMARY

Pier 38 Associates, LLC is committed to good faith outreach efforts in the selection of contractors to ensure broad participation of Local Business Enterprises (LBEs) in the Pier 38 Rehabilitation Project. Veronica Sanchez Consulting, an LBE, will assist TMG in implementing the outreach efforts.

The proactive strategies included in this Local Business Utilization Plan include:

1. **Identifying contracts** for LBE participation in the construction and operations phases of this project.
2. **LBE First!** - Advertising and soliciting proposals from firms certified with the City of San Francisco's Contract Monitoring Division.
3. **Setting the following specific LBE goals:**
 - Final Design & Engineering: 20%
 - Construction: 20%
 - Property Management Services (up to eight contracts): 40%
 - Special Event Management Services (up to two contracts): 40%
4. **Extensive Good Faith Outreach Efforts** - notifying LBEs of these business opportunities through a proactive strategy which includes the use of a specially created Pier 38 LBE project website, City's Office of Contract Administration's (OCA) website, email tools, informational meetings and follow-up calls.
5. **Fair Selection Process** – developing clear specifications and objective selection process.
6. **Buy San Francisco List for Event Promoters and Pier 38 Tenants**
Pier 38 Associates will develop a list of LBE vendors for distribution to event producers, and Pier 38 office and restaurant tenants.

Reporting

Biannually, Pier 38 Associates will report to the Port of San Francisco's Division of Finance the total amount of payments made to LBE firms for the industry sectors identified in this plan. The information will be provided each year by January 15 & July 15 for inclusion in the Port's Contracting Activity Report to the Port Commission.

INTRODUCTION

The Pier 38 Rehabilitation Project is being undertaken by Pier 38 Associates, LLC, a venture of TMG Partners and Premier Structures, LLC. TMG Partners is a 31-year old San Francisco-based development company that focuses on commercial, residential, retail and mixed-use projects exclusively in the Bay Areas. Premier Structures is a San Francisco-based Local Business Enterprise (LBE) real estate development and construction management company focusing on waterfront and infill projects.

Pier 38 Associates' vision for the revitalization of Pier 38 is to reclaim this historic asset for productive use so it will become a vital contributor to San Francisco's waterfront renaissance. The project will include the following elements:

- *Office Space* – Approximately 20,000 total square feet of office space in the bulkhead and adjacent portion of the shed on the first and second floors. The office space will be targeted to creative and technology-oriented uses.
- *Other commercial* – Approximately 4,700 square foot restaurant on the northern portion of the pier, and approximately 29,000 square feet inside the shed that will be available for special events.
- *Maritime and public uses* - The exterior area will include a water taxi gangway and floating dock on the north side of Pier 38. The refurbished apron and floating dock area will create approximately 6,200 square feet of new public access.

The Pier 38 Rehabilitation Project will generate valuable economic benefits to the Port and desired public access benefits to the adjacent South Beach community. Additionally, this multi-use project presents the Port with a valuable opportunity to advance the City's interest in "stimulating the expansion of small firms or development of new enterprises to contribute to the economic well-being of all San Franciscans." [SF Administrative Code – 14B.1(6)]

The proposed Pier 38 lease is not subject to the Local Business Enterprise Ordinance (SF Administrative Code -14B). However, Pier 38 Associates is voluntarily undertaking this Local Business Utilization Plan (LBE Plan) in support of the City's economic development interests.

The Pier 38 Rehabilitation Project will generate revenue opportunities for LBEs and their workforce, and will offer business development opportunities for emerging businesses certified as Micro LBEs and Small LBEs. By working on this highly visible waterfront project, LBEs will be able to enhance their business portfolio and acquire new experiences by working with TMG Partners' skilled team members. This experience will benefit LBE firms, especially micro LBEs, in future competitions for public and/or private contracts.

Pier 38 Associates' LBE Plan includes: good faith outreach efforts, meaningful goals, a fair selection process and an on-going reporting commitment.

Pier 38 Associates will additionally create jobs for San Francisco residents in the construction phase of this project as required by the City of San Francisco's Local Hiring Policy Ordinance [San Francisco Administrative Code, Chapter 6.22(g)].

TARGETED CONTRACTS

Pier 38 Associates has identified the following contracts to target its good faith LBE outreach and utilization efforts:

- 1) Design, Engineering and Construction**
- 2) Property Management Services**
- 3) Special Events Management Services**

1. Design, Engineering and Construction Subcontractors

As part of Pier 38 Associates, Premier Structures LLC, an LBE joint venture partner, will provide project management services for the final design, engineering and construction phases. Paul Osmundson, one of the firm's principals, was Planning and Development

Director at the Port of San Francisco and is familiar with the City's 14B LBE Ordinance.

Pier 38 Associates will work with the design, engineering and construction team to maximize LBE participation opportunities. Pier 38 Associates will use good faith efforts to first obtain quotes or proposals from LBEs.

Pier 38 Associates has selected Plant Construction as the general contractor for the Pier 38 Rehabilitation Project. Plant has extensive experience in working on waterfront projects like the Ferry Building and Pier 24 Photography and has successfully implemented LBE programs in a range of developments.

LBE Goals

- Under Pier 38 Associates' direction, both the lead architecture firm and the general contractor will work with their subcontractors to target contracts for LBE participation. High priority will be given to micro LBEs to create business opportunities for emerging businesses.
- 20% goal for LBE participation goal for final design & engineering subcontractors.
- 20% goal for construction subcontractors.

2. Property Management Services

Pier 38 Associates, acting through TMG Partners, will operate and manage the Pier 38 project in-house through its professional asset and property management staff. TMG Partners will enter into contracts for a range of property management services and has identified up to eight contracts for LBEs firms to assist the company in maintaining and operating Pier 38:

1. Janitorial
2. Security Services (guards)
3. Security Equipment Maintenance
4. Fire Protection Contractor (fire sprinkler monitoring)
5. Pest Control
6. Repairs Maintenance
7. Plumbing Maintenance
8. Emergency Restoration

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5. Pest Control
6. Repairs Maintenance
7. Plumbing Maintenance
8. Emergency Restoration

Pier 38 Associates will first advertise and solicit Request for Qualifications from certified LBEs, applying the outreach efforts described below.

LBE Goal

- 40% LBE participation for Property Management Services contracts. This 40% goal is comparable to the citywide goal required by the amended 14B ordinance for public works prime contracts.

3. Special Events Management

A portion of the pier shed (approximately 29,000 square feet) will be used for special events. An event management firm, under license to Pier 38 Associates, will market the space, book events, provide janitorial and security services, and will work with event sponsors and their production companies, who will directly contract vendors for services,

LBE Goal

- The event management firm will target LBE firms for the janitorial and security contracts. Veronica Sanchez Consulting will assist the event management firm with the outreach and selection process.
- 40% goal for janitorial and security contracts.

Buy San Francisco List

To stimulate business opportunities for Pier 38 Associates will develop a “**Buy San Francisco List**” comprised of LBE certified firms offering services most frequently used by event promoters [i.e. caterers, photography, florists, and printing (banners)] for the event management company to distribute to its customers via written material and its website.

OUTREACH EFFORTS

Pier 38 Associates is committed to soliciting and obtaining bids from the broadest possible diversity of LBEs. It will proactively seek LBEs for the contracts identified in this LBE Utilization Plan using the following outreach tools:

1. **Website** – Will set up a special project website to post information about the Pier 38 project, contract opportunities and solicitation schedule. A special email address will be set up for vendors to respond with questions. General information about the LBE certification process will be provided on the website for firms not currently certified as LBEs. Additionally, contracts will be advertised on the City and County of San Francisco's Office of Contract Administration (OCA) website.
2. **Notification to certified vendors** – Pier 38 Associates, through TMG Partners and the special events manager, will email project information and RFQ solicitations for the property and event management services to targeted LBE firms according to industry sectors who may be able to perform the work. The information will include information on the response and selection process. Veronica Sanchez Consulting will follow up with emails and phone calls and document these efforts.
3. **Informational meetings** – For specific contracts like janitorial and security, Pier 38 Associates staff will arrange a site tour for interested vendors to respond to specific questions. Staff will also respond to written questions submitted by vendors in the solicitation process, as needed.

SELECTION PROCESS

Pier 38 Associates and its contractors will develop fair and objective selection criteria for the targeted contracts. The selection process will be designed to maximize LBE participation and meet the LBE contracting goals.

IMPLEMENTATION

Pending receipt of final Port Commission and City of San Francisco approvals, Pier 38 Associates plans on opening Pier 38 for its restaurant and office tenants to begin constructing tenant improvements on January 1, 2016. In summary, the projected economic benefits to LBE firms from the targeted contracts is listed in the following table:

	LBE Subcontracting Goal of Contract Dollars	Estimated Total Costs
Design & Engineering*	20%	\$500,000
Construction*	20%	\$6-8 million
Annual Property Management and Event Management Services	40%	\$150,000- \$250,000/year

* Will include work performed by Premier Structures LLC, a joint venture LBE partner.

Pier 38 Associates proposes the following schedule for soliciting contracts to begin providing services to our tenants.

Contracts	RFQ Release & Selection Process
Final Design and Engineering	3 rd quarter 2015
Construction	3 rd quarter 2015
Property Management Services contracts (up to 8)	4 th quarter 2015
Special Events Management Services (janitorial & security)	4 th quarter 2015

Pier 38 Associates will complete Buy San Francisco by December 2015 for distribution to event producers & other Pier 38 tenants.

REPORTING

Pier 38 Associates will provide the Port of San Francisco's Division of Finance a report summarizing total payments made to LBE firms for the industry sectors identified in this plan and information on whether the goals specified in this plan were met.

Throughout the term of this lease, Pier 38 Associates will provide information about the utilization of LBEs biannually by January 15 and July 15 in time for inclusion in the Port's Contracting Activity Report to the Port Commission.

Below, is an example of the information that will be reported to the Port Commission:

Targeted Contracts	Type of Contract	Total Payments	Total Payments to LBE Firms	Overall % paid to LBEs	LBE Targeted Goal
Design & Engineering*					20%
Construction*					20%
Property Management					40%
Special Events Management (janitorial & security)					40%

* Will include work performed by Premier Structures LLC, a joint venture LBE partner.



MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *M. Moyer*

SUBJECT: Informational presentation regarding the National Park Service selection process for a proposed embarkation site for ferry service between the northern San Francisco waterfront and Alcatraz Island

DIRECTOR'S RECOMMENDATION: Informational Only

EXECUTIVE SUMMARY

Presentation of this item was requested by Commissioner Doreen Woo Ho to provide the Port Commission and the public with an update on the Port's long efforts to (i) retain the San Francisco passenger embarkation point for ferry transport to Alcatraz Island and (ii) ensure fewer impacts to the Port and the public upon the change of tour providers.

Alcatraz Island is managed by the National Park Service (NPS) as part of the Golden Gate National Recreation Area. Alcatraz Island opened for public tours in 1972 and ferry service to Alcatraz Island has been served continuously from the Port, first from Pier 41 and, for the past 9 years, from Pier 31½. The Port is eager to extend its long-standing relationship with NPS for the Alcatraz Island ferry service. The Port believes that the existing Pier 31½ location represents the optimal site (see Exhibit A) for this service over the long term. Pier 31½ would enable the NPS to offer a tremendous visitor experience in a rehabilitated historic bulkhead building that is a contributing resource to the Embarcadero Historic District, listed by NPS on the National Register of Historic Places.

For several years, the Port has been in good faith discussions with NPS to craft an agreement for long-term operation of Pier 31½ as the embarkation site. In an effort to sustain our long-term partnership, the Port has made substantial capital and lease

THIS PRINT COVERS CALENDAR ITEM NO. 11B

concessions to facilitate such an agreement. To date, NPS has been firm in its demands and made no concomitant concessions proportional to what has been offered by the Port. A key factor of the negotiations revolves around fair compensation to the Port for the substantial risks it will assume in undertaking significant capital obligations on behalf of NPS. There are few such models throughout the United States and the Port's and NPS' ability to obtain necessary market analysis of similar transactions continues to be hampered causing severe delay. However, Port staff is confident the parties can arrive at terms mutually advantageous to the Port and NPS.

BACKGROUND

The Golden Gate National Recreation Area (GGNRA), established as a unit of the NPS in 1972, encompasses more than 80,000 acres of coastal lands in Marin, San Mateo and San Francisco counties. One of GGNRA's most prominent jewels is Alcatraz Island which is historically significant as part of early coastal fortification systems and later as a federal prison. Since 1972, the Port of San Francisco has served as the embarkation point for tourists and local residents visiting Alcatraz Island. Each year more than 1.5 million visitors visit Alcatraz Island by ferry from Pier 31½ on the northern waterfront, which is the only embarkation point for service to the island. The ferry service currently is provided by Alcatraz Cruises, LLC, an affiliate of Hornblower Yachts, Inc. under a 10-year concession contract managed by NPS. Between 4,000 and 6,000 people visit Alcatraz Island each day.

While there is some seasonal variation, the Alcatraz Island ferry service operates a full daily schedule nearly all year long. The number of visitors is not dependent on ferry capacity, but limited by the NPS ability to provide an enjoyable experience at the park site as defined by measures of visitor satisfaction and the ability to protect park resources.

Though visitation of Alcatraz Island is managed through a reservation system, the ferry embarkation site is more than just a transit terminus. The embarkation site has the potential to serve as an important gateway and transit point between the historic San Francisco waterfront and the natural, cultural, scenic resources of Alcatraz Island and other GGNRA park sites. There is an opportunity to make Alcatraz Island's embarkation site a distinct, first-class experience for tourists and local residents.

From 1972 to 2005, Red & White and Blue & Gold fleets, under separate contracts to the NPS, provided waterborne passenger service to Alcatraz Island embarking from Pier 41 in Fisherman's Wharf. In 2006, the base of operations was moved to Pier 31½ when NPS awarded Hornblower the federally-mandated 10-year concession contract through a competitive process governed by federal law. A key restraint of that process was the requirement that bidders were only eligible if they had a ferry landing site at the Port. Since only three companies had leases with the Port for such sites, there were only three bids. The winning bidder, Hornblower, had a lease with the Port at Pier 31½ which had been executed in 1997. That lease recently reached its final term and converted to month-to-month status pending completion of the Port's negotiations with NPS.

In approximately 2008, the Port Executive Director approached then-GGNRA Superintendent Brian O'Neill to request that NPS select a permanent embarkation point at the Port, lease such site directly from the Port and sublease it to their concessionaires. By doing so, the NPS, Port and the public could be spared the disruption of moving the service each time the concessionaire changed, similar to the procedure used for the Statute of Liberty tour concession in New York. Further, this model would enable potential operators to bid on the concession without requiring them to have a pre-existing ferry terminal lease with the Port.

Discussions of this idea occurred periodically between Port and NPS staff. Finally, in anticipation of the expiration of NPS' current concession agreement in 2016¹, NPS has initiated a process to select a long-term ferry embarkation site. Instead of selecting a concessionaire (i.e., ferry operator) that has secured a terminus site, NPS instead intends to select a long-term site with successive 10-year concession contracts. Such a site would provide NPS with a stable and identifiable ferry terminus to Alcatraz Island. However, as discussed in greater detail below, NPS declines to lease the site from the Port directly and will require each concessionaire to do so as a condition to assuming the concession contract.

NPS has determined the need to undertake an Environmental Impact Study (EIS) to evaluate the Pier 31½ site and other potential sites along the northern waterfront of San Francisco. The sites to be studied consist of the Port's Pier 31½ and Pier 41 as well as NPS' Pier 3 at Fort Mason. The primary environmental concerns to be studied focus on changes in traffic and parking, noise levels, impacts on community character, wind and wave impacts, and impacts to air and water quality. From this evaluation, NPS hopes to identify a preferred site.

NPS EMBARKATION SITE SELECTION OBJECTIVES

NPS' has six published objectives for creating a ferry embarkation site that:

1. Establishes a long-term (at least 50 years) primary location that is economically feasible and sustainable and enables substantial reinvestment in Alcatraz Island and other park facilities and visitor programs
2. Provides visitor access to Alcatraz Island that is compatible with nearby land uses, including neighborhoods, businesses, and transportation services
3. Accommodates the critical facilities and programs needed for the safety and comfort of visitors and staff, and provides for efficient land and vessel operations
4. Is located within a reasonable crossing time from Alcatraz Island and meets specific basic program element requirements for logistics
5. Provides an identifiable area for a quality welcome, orientation, and interpretation of the natural, cultural, scenic, and recreational resources of Alcatraz Island, GGNRA, and the larger national park system

¹ The original Hornblower lease with the Port at Pier 31½ was set to expire on October 31, 2014, but the Port has agreed to a month-to-month lease until the site selection process is completed and the concession contract has been awarded to assure continuous operation of the ferry service to Alcatraz Island.

6. Provides facilities for cross-bay ferry service to accommodate existing and future visitor demand for travel to Alcatraz Island and other GGNRA sites and NPS units

PORT OBJECTIVES

The Port acknowledges NPS' objectives and has a strong interest in retaining the Alcatraz Island embarkation site within its jurisdiction. Similarly, the Port has outlined its objectives:

1. Preserve and expand maritime activity
2. Retain gateway to iconic national landmark
3. Enhance visitor experience and education
4. Re-invest in valuable waterfront infrastructure
5. Increase revenue stream to the Port
6. Support Northern Waterfront retail partners
7. Anchor renovation of historic Pier 31 bulkhead and shed

The Port believes that maintaining the existing ferry site at Pier 31½ and enhancing this gateway to Alcatraz Island meets both NPS and Port objectives.

NPS SITE SELECTION PROCESS

On June 1, 2012, NPS published a Notice of Intent (NOI) for the Alcatraz embarkation project. The NOI provided background information, potential alternatives, and methods of public comment. This review process identified available waterfront sites consisting of the Port's Pier 31½ and Pier 41 and NPS' Pier 3 at Fort Mason. Of the approximately 90 commenters, most requested that NPS "continue to operate the ferry service from Port sites, specifically Piers 31½ and 41. Many commenters expressed concerns about locating the embarkation site at Fort Mason."²

On February 20, 2015, NPS issued a Draft EIS³ for the Alcatraz Ferry Embarkation project. As stated by NPS, "the project would establish a new, long-term ferry embarkation site for passenger service between the northern San Francisco waterfront and Alcatraz Island. It would also establish occasional connecting ferry service between the selected Alcatraz ferry embarkation site and the existing Fort Baker pier, as well as between Fort Mason and other park destinations in San Francisco Bay."

As published by NPS, the Draft EIS describes and analyzes four alternatives consisting of the No Action Alternative plus three action alternatives as follows:

1. **Port Pier 31:** would retrofit the existing structures, including portions of the Pier 31 and Pier 33 sheds and bulkhead buildings, and establish long-term ferry service at Pier 31(the wharf between Piers 31 and 33) along the Embarcadero. A third berth would be constructed to support ferry travel to other GGNRA sites.

² Alcatraz Ferry Embarkation: Draft Environmental Impact Statement, page vi

³ A download of the draft EIS is available at

<http://parkplanning.nps.gov/document.cfm?parkID=303&projectID=41352&documentID=64026>

2. Port Pier 41: would retrofit and expand the existing structures and establish long-term ferry service at Pier 41 in Fisherman's Wharf. A third berth would be constructed to support ferry travel to other GGNRA sites.
3. Fort Mason Pier 3: would retrofit the existing structures and establish a long-term ferry service at Pier 3 in Lower Fort Mason. A third berth between Piers 1 and 2 would also be constructed.

The Draft EIS was available and open to the public for review and comment until May 20, 2015. The Port provided written comments. During the summer of 2015, NPS will respond to comments to the Draft EIS and incorporate them into a Final EIS. NPS intends to release the Final EIS in either late 2015 or early 2016 with the goal of issuing a Record of Decision sometime in 2016.

The draft EIS does not identify a preferred site, but it specifically notated that Pier 31½ was the "environmentally preferred alternative, as selection of this alternative would fulfill the Project objectives while incurring reduced transportation impacts and similar or reduced impacts to remaining resource topics compared to the other action alternatives."⁴ NPS chose not to identify a preferred site citing the outcome of Pier 31½ negotiations with the Port as a prerequisite. NPS staff has stated that all three sites remain feasible options.

Fort Mason • Fort Mason is under federal jurisdiction and NPS staff has stated that relocation of the embarkation services and ferry operation there would be an intra-federal arrangement, a much simpler process. NPS staff also have stated that a federal mandate prevents NPS from investing in non-federal properties (such as Piers 31½ and 41) but no such prohibition would exist at Fort Mason due to its federal status. It seems clear that the Fort Mason site will require significant infrastructure upgrades to accommodate the Alcatraz embarkation site and ferry service. However, the source of funding, whether federal or otherwise, for such investment remains unclear. Additionally, the City has received significant feedback from residents and businesses in the Marina district who oppose the Fort Mason landing site because of increased traffic congestion, scarcity of parking, lack of public transportation, disruption of current operations and displacement of events at Fort Mason, etc. Copies of sample correspondence are attached in Exhibit B hereto. Throughout our discussions, NPS staff has informally indicated a preference for Pier 31½ as its preferred site. However, they have stated their desire for an agreement on business terms, approved by the Port Commission, as NPS' condition for Pier 31½ to be identified as the preferred site for consideration in the EIS. In other words, NPS has requested that the Port formally commit to a business terms agreement without any certainty that Pier 31½ actually would be considered as the preferred site in the EIS or ultimately selected by NPS. This is a difficult request that Port staff is working hard to accommodate which has not been adequately acknowledged in the public discourse of negotiations with the Port.

Pier 41 • The draft EIS also identifies Pier 41 as a possible embarkation site, despite the fact that a long-standing maritime tenant, Blue & Gold Fleet, has been operating from these premises for over twenty years. Blue & Gold has an agreement with the Water

⁴ Alcatraz Ferry Embarkation: Draft Environmental Impact Statement, page x

Emergency Transportation Agency (WETA) to operate commuter, emergency ferry, and excursion services at this location and cannot accommodate any additional ferry berths for the Alcatraz Island service.

NPS selection of Pier 41 would displace this important maritime tenant. Blue & Gold's displacement would (1) reduce its growing commuter service, (2) impact needed emergency operations and (3) reduce visitor opportunity to access the Bay since the Alcatraz Island ferry service often is sold-out during peak season. In addition, Blue & Gold has proposed to develop a new maritime terminal at Pier 41 using its own financial resources. Currently, Blue & Gold provides annual rent of approximately \$1 million to the Port.

The Port has conveyed to NPS staff the importance of retaining Blue & Gold at this location and stated that Pier 31½ represents the optimal site for the Alcatraz Island ferry service. The Port also presented written comments on the draft EIS to this effect.

PIER 31½ CONCEPTUAL SITE PLAN

The draft EIS identifies Pier 31½ as the "No Action Alternative" (i.e., the current site). Nonetheless, the draft EIS states that Pier 31½ "does not meet the project's basic program requirements and has deficiencies in providing the desired high-quality visitor experience. The presence of an Alcatraz-themed souvenir shop in the bulkhead building, separate from the NPS concession and not operated by the Park Service, further diminishes the ability of the Park Service to provide a clear sense of identity and quality experience."⁵ The current site also suffers from substandard, temporary public restroom facilities in Pier 33.

The draft EIS confirms that the Port has worked with NPS staff to develop the Pier 31½ alternative. This alternative includes a conceptual site plan (see Exhibit A hereto) that would retain an embarkation site with 40,000 square feet of outdoor space on the Pier 31½ marginal wharf deck for visitor circulation, queuing and staging. The plan would allow for replacing the existing gangway with two future parallel floating docks to accommodate three berths instead of two. In addition, NPS has proposed use of the bulkhead buildings while Port staff has proposed shifting the Pier 33 shed uses into Pier 31 and developing new, ADA-compliant restroom facilities in the Pier 33 shed. As shown in Exhibit A, Port staff developed a conceptual plan that would provide new public restrooms (10-15 stalls per gender and changing stations), limited operations service parking (10 tandem and 3 accessible spaces), and back-of-house marine storage and operations space within the Pier 31 shed.

In the draft EIS, the Pier 31½ alternative includes the north Pier 31 bulkhead building for potential use as interpretative and retail space. In addition NPS proposed that the south Pier 33 bulkhead building be used as follows:

- Ground floor: food and beverage, ticketing, arrival and rest area
- Second floor/mezzanine: interpretive exhibits, seating and viewing area
- Third floor: office administration and operations

⁵ Alcatraz Ferry Embarkation: Draft Environmental Impact Statement, page vii

Use of a portion of Pier 31 would expand the Alcatraz embarkation footprint and program beyond what is present today. The shifting of the primary project functions to Pier 31 advances the Port's objectives for renovating the historic Pier 31 bulkhead and shed. Separately, Port staff is requesting Port Commission approval to bid a \$6 million repair project funded from the Port's own capital resources to repair the Pier 31 superstructure to enable releasing opportunities. These core and shell infrastructure improvements provide a foundation upon which future tenants can invest in tenant improvements.

Even with the uncertain status of Pier 31½ as the preferred site, Port staff has and will continue to do its due diligence in evaluating the site. The key portion of the site is the viability of the Pier 31½ marginal wharf. Based on the Port's 2009 Rapid Structural Assessment, the Pier 31½ marginal wharf has been "yellow-tagged" meaning that, although operational, structural upgrades are needed. The marginal wharf is currently load restricted to 10 tons gross, except for an approved load path for ferry operator service vehicles.

In an effort to meet the NPS needs for a viable term sheet for Pier 31½, the Port has expended \$160,000 through an engineering consultant to inspect the substructure, develop a conceptual repair plan, and prepare a preliminary construction cost estimate for the repair plan. The preliminary construction cost to upgrade the wharf has been estimated at approximately \$7.7 million. The marginal wharf is required to be upgraded to allow for a truck loading capacity of H15.⁶ As estimated by the Port's consultant, completion of such substructure repairs should extend the useful life of Pier 31½ through a long term agreement with NPS.

Additionally, as part of the negotiations, NPS staff have insisted that throughout the 50-year term, the Port be responsible for significant facility capital renewal and improvement. They would require the Port to commit to maintaining and continuously repairing all of the facilities at Piers 31½, 31 and 33 (including the marginal wharf substructures, decks, bulkhead buildings and seawall). They seek the Port's commitment to maintain the structures for future seismic events and repair them following any seismic occurrences. In their view such repairs would be made by the Port, regardless of cost and other competing priorities. In short, NPS requests that the Port prioritize this site above all other facilities at the Port for investment of the Port's scarce financial resources. Further, NPS requests that the Port do so within "normal" lease rates for existing bay excursions. Port staff is not aware that NPS itself has prioritized any of its properties for long-term capital commitment and protection in this manner nor do staff believe that the Fort Mason alternative is being held to this same financial standard as part of NPS' review of its viability. Port staff has not estimated these costs but instead proposed reasonable investment and early termination features which are customary. Port staff trust that the parties will arrive at a solution that is rational and effective for both the Port and NPS.

Port staff believes that maintaining the Alcatraz Island service at Pier 31½ will provide the opportunity seamlessly to maintain ferry operations to Alcatraz Island whether or not

⁶ H15 truck loading is defined as a two axle truck imparting a load of 24,000 pounds.

the existing ferry operator is awarded the next concession contract. NPS would anchor the renovated Pier 31 as a maritime, trust-consistent tenant and provide its ferry concessioner with a seismically improved and operationally superior facility for the foreseeable future. Shifting operations from Pier 33 to Pier 31 would allow new and improved support facilities to be built-out without disrupting ferry service.

In summary, Port staff has performed its due diligence with regards to Pier 31½'s long-term repair cost of the marginal wharf and has proposed a conceptual site plan that would deliver the NPS goal of a "clear sense of identity and quality experience." Port staff has worked extensively to assist NPS staff in meeting their objectives.

PIER 31½ BUSINESS TERMS

As mentioned above, NPS has requested the Port to commit to an agreed upon business terms arrangement as a condition for Pier 31½ to be considered in the Final EIS as the preferred site. A key NPS objective is a long-term (50 year) partnership. NPS desires a stable, if not permanent, location that is clearly identified and branded as a gateway to Alcatraz Island. To this end, NPS proposed an agreement with the Port for 50 years but, in keeping with federal law, can only issue concession contracts for terms of 10 years with a possible exception of an initial 20 year term under certain conditions. To fulfill NPS' vision, the Port would enter into a 50-year Memorandum of Understanding (MOU) with NPS to secure the site. Every 10 years, the NPS would issue a new concession contract in accordance with federal law and the Port would issue a new lease to that concessionaire.

In negotiating the business arrangement two major issues not yet resolved are (1) the required capital investment to be made by the Port and (2) the fair percentage of gross receipts that the Port would earn as compensation for its facilities.

Port Capital Commitment • Traditionally, as a condition to securing a long-term agreement, the Port requires the project lessee or concessionaire to invest significant upfront capital in Port infrastructure and be responsible for ongoing maintenance and repair over the lease term. Instead, NPS requires a long-term agreement that deviates from the Port's typical model described above. Under the NPS proposal, the Port would encumber a long-term site and itself contribute all land-side and pier capital improvements over the MOU term. This would impose a significant burden on the Port that is outside of the Port's customary business practices. Instead, the Port had proposed that the NPS concessionaire be responsible for the required capital investment rather than the Port. However, as federal law restricts the concession contract to a maximum of 10 years, there would be insufficient time under the concession contract to amortize any significant amount of improvements. Port staff does expect the concessionaire contract to be able to amortize any water-side improvements and land-side tenant improvements needed to fulfill the concession contract. In order to assist NPS to achieve their needs, Port staff has expended considerable time and due diligence (described above) to consider whether it is fiduciarily responsible to assume this liability on NPS' behalf.

Port staff has struggled with the proposed NPS partnership structure given the Port's extensive capital improvement needs. However, in an effort to retain the Alcatraz Island

service, Port staff have agreed, subject to Port Commission, Mayoral and Board of Supervisors' approval, to make significant compromises with regard to (1) the term of the proposed agreement, (2) the assumption of a capital investment responsibility by the Port subject to a maximum amount, and (3) obligations for ongoing maintenance and repair at the Pier 31½ site, not including seismic and seawall repair. NPS staff has not accepted the Port's offer. Furthermore, Port staff do not believe the NPS has represented adequately in public their desire to transfer such significant financial obligations from the federal government to a local government, the burdens this places on the Port nor recognized the Port's generosity in attempting to meet their needs.

Should the Port amend its customary business practices and undertake these obligations on behalf of the NPS, the Port's facilities at Piers 31, 31½ and 33 the market value of these facilities would be far in excess of their value today in their as-is condition. Such improved value should be reflected in the amount of rent and compensation paid to the Port. Further, given the ongoing and long-term nature of these obligations, Port staff believes that their costs should be mitigated through an appropriate rent structure (i.e., rent should not only represent use of the facility, but incorporate the Port's obligations for facility upgrade, maintenance and repair). Given the sizable amount of annual gross revenue generated from the existing site, Port staff believes that there is sufficient revenue to accomplish both NPS and Port needs.

Port Compensation • The Alcatraz ferry service annual total gross revenue was \$45.5 million in 2012, \$48.3 million in 2013, and \$53.6 million in 2014, a growth of 17%. NPS maintains maximum capacity limits on Alcatraz Island to ensure the safety of its guests and the integrity of the island's landscaping and facilities. Additionally, NPS manages ticket pricing to ensure an enjoyable park experience at affordable ticket prices. Despite these constraints, Alcatraz visitor demand is steady and its revenue generation should increase modestly on an annual basis. The addition of another envisioned ferry berth for access to other federal properties (such as Fort Baker) represents an additional source of revenue over time. Just as for the Port, the Alcatraz Island concession is critical to NPS' objective of enabling "substantial reinvestment" into NPS properties. NPS has acknowledged that a sizable portion of this revenue is needed to stabilize Alcatraz Island building structures and invest in site improvements so that the Island can be maintained as a world-class visitor destination.⁷ Port staff are sympathetic to and supportive of this goal and, should the embarkation site be located at the Port, the Port's interests and NPS' would be co-aligned.

With regard to the rent structure, NPS staff proposed payment of a fixed percentage rent to be calculated on the basis of adjusted gross revenues (i.e., gross revenues less concession and other fees) for the entire 50 year term with no annual minimum base rent. In short, this proposal means that the Port would have full responsibility for initial and ongoing investment to provide the embarkation site but would have no guaranteed minimum repayment or compensation. Once again, NPS staff request a significant change in how the Port manages its assets and, as of yet, are not proposing any incentive or additional compensation for this change and added risk.

⁷ Port staff has requested NPS to provide information of how much of gross receipts are distributed and used for Alcatraz and other GGNRA sites.

To more equitably balance the Port's responsibility for all land-side and pier improvements with the revenues earned from the site, Port staff have consistently requested a reasonable return on its upfront and on-going capital investment through a fair market rent structure. In order to determine "fair market rent" for such a unique use, Port staff contracted with Seifel Consulting (Seifel), a respected economics firm, to research market comparisons with other iconic ferry operations. After a comprehensive review of potential comparative ferry and concession operations, Seifel determined that New York's Statue of Liberty and Ellis Island services are the most comparable model especially as these ferries serve national landmarks with high visitation levels. Port staff repeatedly requested copies of the Statue of Liberty Agreements from NPS staff, which caused significant delay to the negotiations. Finally, Seifel and Port staff, obtained the Statue of Liberty agreements from the City of New York's Department of Parks and Recreation (NY Parks). Such agreements provided the Port with a better understanding of potential and comparable terms on a national basis, rather than relying on terms from local excursion operations on San Francisco Bay as proposed by NPS staff.

Seifel's research on behalf of the Port revealed that NPS and NY Parks entered into an agreement to allow for service to the Statue of Liberty and Ellis Island from landing slips in Battery Park. NY Parks agreed to grant a 10-year term license for the use of these slips and adjacent walkways by the party designated by NPS to provide the ferry service pursuant to a concession contract with NPS. The concession contract is periodically bid in accordance with federal law. The current concessioner, Statue Cruises (a division of Hornblower) pays NY Parks the greater of a minimum annual fee of \$2 million or 8% of total gross receipts⁸ for the initial 5 years and then 8.5% of total gross receipts for the remaining five years. NPS, through its concessioner, is responsible for on-going maintenance and operation of the landing slips and adjacent walkways located in Battery Park. However, the agreements do not specify clearly the amount of capital investment needed for this operation, particularly in the aftermath of Hurricane Sandy.

Conversely, with respect to the Port's Pier 31½, NPS initially offered the Port an extension of the existing rent structure to the Port which represents approximately 3% of total gross receipts.⁹ Such structure was based on a prior bay excursion lease negotiated by the Port in approximately 1996, and was not negotiated for a service that is comparable to the Alcatraz Island service. Port staff does not believe this is a fair market comparable and made a counterproposal. Like the NY Parks contract, the Port proposes that it be paid the greater of a minimum annual fee (i.e., a base rent) OR a percentage of total gross receipts in line with a comparable site such as Statue of Liberty. Just as with all Port agreements and the NY Parks contract, the Port would receive a guaranteed annual rent (the base rent) and would receive incentive rent (the percentage rent) to compensate it for continued investment over the life of the MOU.

Port staff believes that the Port should obtain a higher share of revenue to fund initial and ongoing improvements during the term of the agreement, particularly given the

⁸ Total gross receipts is defined as revenues generated by ticket sales, wares, merchandise, services, sponsorship and other related revenues.

⁹ NPS actually offered 6% of adjusted gross revenues. Adjusted gross revenues is defined as total gross receipts less the concession fee and other fees. 6% of adjusted gross revenues roughly equals 3% of total gross receipts far less than the NY Parks contract rate of 8%, growing to 8.5% after 5 years.

significant investment in buildings and landside improvements. Port staff remains cognizant that NPS needs a sufficient revenue stream to fund its own capital needs on Alcatraz Island but the Port is not able to sacrifice its own needs to subsidize NPS' needs. Port staff continues to believe that the Alcatraz Island service generates sufficient revenues to fairly compensate the Port while meeting the NPS' needs. Port staff note that the Fort Mason site would require even greater capital investment that would need to be offset by revenues, leaving NPS with even less net revenue for investment in Alcatraz Island.

Based on this information, Port staff and NPS staff have met several times, including earlier this week to negotiate fair and commensurate rental terms. Port staff remain confident that an agreement on equitable terms can be reached.

NEXT STEPS

Port staff continue to meet and negotiate with NPS staff with the goal of arriving at an agreed upon use and concession plan, capital program and financial terms that are fair and appropriate for the obligations being assumed by the Port. The Port presented the NPS staff with an updated proposal on April 1, 2015 and the NPS staff just recently met with Port staff to share their thoughts on the proposal, allowing an interim of approximately 7 weeks. To meet NPS' deadline of an agreement within the next 90 days, turnaround time between proposals will need to be reduced considerably.

With respect to timing, NPS staff has stated their need to ascertain a Port Commission approved term sheet with the Port for the Pier 31½ site no later than Fall 2015. The timetable for these deadlines is driven both by the need to identify a preferred alternative for consideration in the EIS and to award the new concession by the time the existing contract expires in 2016.

CONCLUSION

To reiterate, the Port is strongly motivated to retain the Alcatraz Island embarkation site and ferry service at Pier 31½ because this operation:

- maintains a maritime activity that is the Port's core mission;
- attracts visitors and local residents to the waterfront;
- generates revenue to the Port for its on-going need to invest in waterfront infrastructure;
- represents the environmentally preferred site (especially in regard to traffic and parking) in the EIS;
- enhances the existing gateway to Alcatraz Island through site upgrades that would better create a clear NPS identity and provide a quality visitor experience;
- represents an investment of valuable waterfront infrastructure and renovation of the historic Pier 31 bulkhead and shed;
- maintains, without disruption, ferry operations to Alcatraz Island; and
- supports adjacent retail partners along the Port's northern waterfront.

While acknowledging NPS goals and constraints, Port staff has been flexible in terms of rethinking the partnership agreement in that it would be significantly different than a typical Port public-private partnership model for long-term development. Despite a lack

of certainty that NPS will select Pier 31½, Port staff has invested a substantial amount of time, resources and creativity to investigate the long-term viability of the Pier 31 marginal wharf and devised a conceptual site plan that embraces NPS objectives for a quality embarkation site and strategically consolidates it with the historic renovation of Pier 31, a site listed on NPS' Register of Historic Places.

Finally, Port staff has delivered a business terms proposal that represents a fair compromise between the competing financial needs and obligations of NPS and the Port without transferring unfunded obligations from one governmental entity to another.

Prepared by: John Doll, Project Manager
Planning & Development

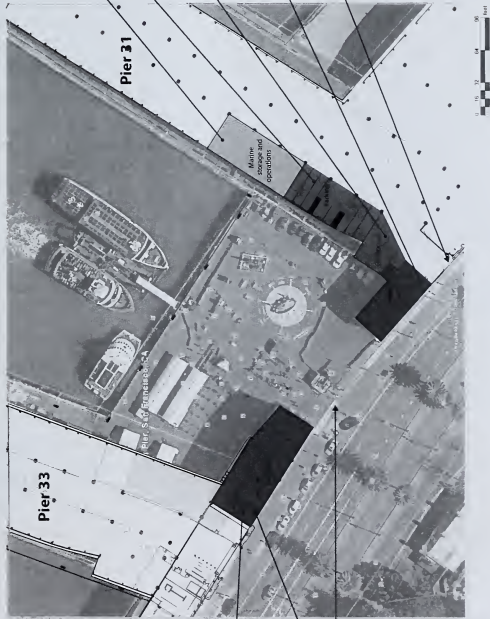
Jay Edwards, Senior Property Manager
Real Estate

For: Byron Rhett, Deputy Director
Planning & Development

Susan Reynolds, Deputy Director
Real Estate

Exhibit A: Pier 31½ Site Map

Exhibit B: Public letters opposing the Fort Mason site



Sean E. Svendsen

President

Kimball Livingston

Vice President

Bruce C. Smith

Secretary



St. Francis Yacht Club

James A. Diepenbrock

Executive Director

Erica A. Mattson

Secretary

Kim Meek Shickel

Treasurer

May 8, 2015

Howard Levitt

Director of Communications and Partnerships

Golden Gate National Parks

howard_levitt@nps.gov

415-561-4730

Re: Comments on Alcatraz Ferry Embarkation DEIS

Dear National Park Service,

I am writing to oppose the use of Ft. Mason's Piers 1, 2 and 3 and the area between Piers 2 and 3 by the National Park Service (herein NPS) as a ferry dock and passenger embarkation point for service to Alcatraz and for "special service" to Ft. Baker and other NPS sites.

By way of background, NPS has evaluated three possible sites for the Alcatraz ferry—improvements to its existing location at Pier 31 ½, potential alternative site at Pier 41 and potential alternative site at Pier 3—and published the Alcatraz Ferry Embarkation Draft Environmental Impact Statement (DEIS). The report recommends that NPS negotiate with the Port of San Francisco to make improvements to Pier 31 ½, which we support. However, we have two concerns. First, if NPS fails to sign that lease, Pier 3 will likely become the back-up plan, given the Port's opposition to the use of Pier 41. Second, NPS has written that regardless which site is chosen for the Alcatraz ferry, it intends to build a visitor's center at Ft. Mason between Piers 1 and 2, from which special ferries will transport visitors to other NPS sites.

I believe the DEIS is legally inadequate under the National Environmental Policy Act (NEPA), whose 42 U.S.C.S. sec. 4321 et seq., requires the lead agency, NPS, to prepare an Environmental Impact Statement (EIS) that takes a "hard look" at environmental impact before taking major actions. It is the lead agency's responsibility to assess those impacts, whether direct or indirect. The Washington, D.C.-based consultant hired by NPS failed to evaluate this project's impact on boaters, paddlers, kayakers and swimmers. In fact, DEIS pages 78 and 213 erroneously assert that the Pier 3 Alternative will have "no impacts on recreational boating or swimming." **The report came to this conclusion by narrowly examining the fact that boaters, paddlers and swimmers do not touch the shore at Ft. Mason. It ignored the area immediately beyond the shore, which is the subject of this letter.**

In reality, Alcatraz ferry service and/or special ferry services from Piers 1-3 would create new on-water traffic lanes that would cut directly through the close-to-shore areas frequented by the 15 San Francisco area high school sailing teams that race there on weekends, and that practice in front of Ft. Mason Monday through Friday from 1530 hours to 1900 hours. Perhaps the consultant kicked off for the day before these dozens of kids took to the water?

The consultant obviously failed to visit on a weekend, when recreational swimmers and paddlers seek current relief along the shore, when the race committees of various Bay Area clubs start and finish

regattas directly off those piers, and when the Ft. Mason Buoy is frequently used as a waypoint in many races. **None of this activity was mentioned in the consultant's report to NPS.**

Ferries would cut across the path of boaters entering and leaving SF Marina East Harbor, affecting both berth holders and transients seeking fuel at the City Yachts Gas Dock. Ferry traffic at Ft. Mason would affect kayakers and other paddlers whose right to safe passage is protected by the State of California Bay Area Water Trail Act (Legislation AB 1296) signed by the governor on September 22, 2005.

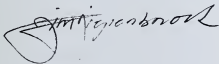
Given the poor sight lines when entering and exiting these piers, any ferry service from Ft. Mason would make it extremely dangerous if not impossible for recreational boaters and swimmers to cross in front of the piers. Ferry captains would rightly demand an exclusion zone, necessitating new buoys to be dropped off of the piers to restrict access by recreational users.

New routes linking Ft. Mason to Ft. Baker and other sites in Marin will exacerbate this problem, even if NPS is successful in keeping the Alcatraz Ferry at Pier 31 ½. If there is demand for such services, those routes should start and end at Pier 31 ½.

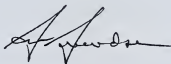
The lack of data or analysis of the current and projected use of the waters in the vicinity of Fort Mason by boaters, paddlers and swimmers makes it virtually impossible for interested agencies and the public to comment on the recreational impacts of the Pier 3 Alternative or to propose mitigation measures.

The NPS should undertake a Supplemental EIS to thoroughly investigate the impacts on the current and projected recreational use by boaters, paddlers and swimmers of the Pier 3 Alternative and Special Ferry Services, and have a full public comment period thereafter.

Sincerely,



Jim Diepenbrock
Chairman of the Board
St. Francis Yacht Club



Sean Svendsen
Commodore
St. Francis Yacht Club

April 28, 2015

Supervisor Mark Farrell
City & County of San Francisco
San Francisco City Hall
1 Dr. Carlton B. Goodlet Place/Van Ness Avenue
San Francisco, CA 94102

Re: Relocating Alcatraz Ferry docking site to Ft. Mason

Dear Supervisor Farrell:

We are a group of 140 gardeners who have a community garden near lower Ft. Mason so we are quite familiar with the local area. We are extremely concerned about the possibility of docking the Alcatraz Ferry there. The issues our members have identified as of greatest concern are:

- The area is currently very congested. The large volume of drivers will increase that dramatically. Buses would have to navigate a very sharp curve or drive on nearby narrow streets
- Buses and cars will not only add congestion but a great deal of pollution. The Marina Green is heavily visited by tourists and the fields are used daily by young children playing soccer
- The area is currently used for MANY activities: a thriving farmer's market, craft shows, antiques shows, festivals of all types, a well attended Friday night food truck event.
- Parking is very scarce in the area and it simply could not accommodate additional parking needs as there is no place to expand.
- Public transportation is not able to handle the influx of tourists. Only two buses stop nearby. The 28 bus is frequently full by its 3rd stop on Lombard plus tourists will not be coming from the Richmond. The 30 bus is 2 blocks away and is already always packed.

This idea is not feasible. Please put pressure on the Port Authority to reach an amicable solution to keeping the Alcatraz Ferry at Fisherman's Wharf where it should be. Our taxes support the current docking location. We do not wish to have money spent on building new facilities.

The zip codes represented in our garden range all over the City so we ask that you share this with your fellow supervisors as almost all members are registered voters. Additionally many are quite active in their various neighborhood associations. Zip codes of garden members include:

94107 - Potrero Hill
94108 - Chinatown
94109 - Russian Hill/Tenderloin
94110 - Mission

94111 – Financial District
94112 – Ingelside
94114 – Noe Valley
94115 – Pacific Heights
94117 – The Haight
94118 – Laurel Heights
94123 – The Marina
94127 – Miraloma/West Portal
94133 - North Beach/Telegraph Hill

Please make the other supervisors aware that this issue affects not only the Marina and its residents but that it is a source of concern for residents of many other parts of the City.

Thank you,

Vicki Dum, President
Fort Mason Community Garden

/vrd

PROJECT LINKS

Project Home

Plan Process

Meeting Notices

Links

Document List

Open For Comment

Thank You!

Draft EIS - February 20, 2013

Your comments were successfully submitted.

May 19, 2015 12:07 PM Mountain Time

Park: Golden Gate National Recreation Area
Project: Alcatraz Ferry Embarkation Project
Document: Draft EIS - February 20, 2015

Name: Andy Miller
Address: 548 Thomas L. Berkeley Way, Oakland, CA 94612
City: San Francisco
State: CA
Postal Code: 94112
Email: rshipway@bridgedeck.org
Address:
Organization: International Organization of Masters, Mates & Pilots

Share this on

(non-NPS links)

Comments: My name is Captain Andy Miller. I have 26 years of experience as a captain of ferries on San Francisco Bay, including 18 years working on the Alcatraz Ferry Service when it was operated by Blue & Gold and prior to that by the Red and White Fleet. I currently am a captain on Blue & Gold excursion and commuter services. I am very familiar with the navigational conditions of travel to Alcatraz from all three proposed sites.

From a navigational perspective, the channel known as the East Bound Lane adjacent to Fort Mason Pier 3 with the severe fog conditions and the very large water based recreational area presents the highest risks and impacts. The DEIS failed to examine these conditions.

The summer fog pattern runs basically thru the Golden Gate Bridge Eastward towards Alcatraz island and onward towards Berkeley, with the range of visibility anywhere from near zero to 1/4-3/4th of a mile. When transiting the area from Fort Mason to the Southern tip of Alcatraz Island the route enters the fog almost immediately. This can be a very challenging scenario vs entering from the Pier 31 1/2 location that is tucked to the south of the fog pattern and allows time under way before entering the Fog and thus an easier transition into the fog zone en route.

The DEIS' recreation section, states that the Pier 3 alternative will have "no impacts on recreational boating or swimming." From years of experience, I know this is not true. The Fort Mason Location starts inside a water biased recreation area with two boat marinas several launch points and thus in the fog on a busy weekend there will be plenty of close calls. The route from Pier 3 to Alcatraz is filled with conflicts with recreational boaters, windsurfers, and swimmers. To ensure safety, Alcatraz ferries will have to slow down even when there isn't heavy fog. Greater frequency of Alcatraz Ferry crossings will further increase the impact the recreational community.

On the weekends, sailing regattas, swims to and from Alcatraz Island rowboats from the clubs inside of Aquatic park, kayaks, windsurfers, kite boarders along with regular the regular tour boat schedules. The large commercial fishing fleet inside of the Hyde street Pier 45 area is home to a lot of boats, inbound and outbound ships. All of these present a constant navigational and collision avoidance challenge with meeting, crossing and overtaking situations.

In the summer months this channel can be very challenging to navigate and avoid collisions, with the likelihood of cognitive overload a real possibility due to the infinite number of possible watercraft and the recreational access available in the area as well as challenging weather conditions.

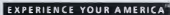
The Draft Environmental Impact Statement addresses landside transportation

impacts but fails to recognize the waterside impacts to mariners and recreational boaters of locating the Alcatraz Ferry at Pier 3 Fort Mason. These impacts require further study to ensure safety for Alcatraz ferry riders, recreational users and other mariners on the Bay

Thank you,

Captain Andy Miller, Member International Organization of Masters, Mates & Pilots

Comment ID: 969931-64026/205



Subject: Comments on Alcatraz Ferry Embarkation DEIS

This letter is to oppose ANY ferry service considered by the National Park Service (herein NPS) at Fort Mason. The areas at Piers at 1, 2, 3 as a ferry dock and passenger embarkation point for service to Alcatraz and/or for "special service" to Fort Baker and other NPS sites should not be allowed. That proposal is simply NOT safe.

Three sites were evaluated for the Alcatraz ferry: Improvements to the existing location at Pier 31 1/2 and potential alternative sites at Pier 41 and Pier 3. An Alcatraz Ferry Embarkation Draft Environmental Impact Statement (DEIS) was published. DEIS recommends that NPS negotiate with the Port of San Francisco to make improvements to Pier 31 1/2. However, whatever the outcome for the Alcatraz Ferry Service, the NPS still wants to build a visitor's center and operate special ferries from a new base at Fort Mason at Pier 3.

The DEIS is totally wrong to assert that there would be "no impact" in recreation boating and swimming. In fact there would be several negatives. The report ignores and fails to evaluate the impact on boaters, paddlers, kayakers and swimmers. Also, there is a fairly big backwash coming from under Fort Mason. This will be substantially increased due to wave action from proposed ferries and could cause property damage to boats and the Marina. The report fails to recognize the negative impact on increased traffic and general congestion in the area.

There is no mention that a special ferry service would create new water traffic lanes that cut right through the close-to-shore areas used by the 15 San Francisco area high school sailing teams that race there on weekends and practice in front of Fort Mason on Mondays through Fridays from 3:30 pm to 7:00 pm. There is no mention that race committees of various Bay Area clubs start and finish regattas right off those piers and the Fort Mason buoy is used as a turning point for many races.

The proposed ferry service would also be cutting across the path of boaters entering and leaving SF Marina East Harbor, affecting berth holders and transients seeking fuel at gas dock and visiting City Yachts. Their rights of safe passage would be affected (State of California Bay Area Water Trail Act (Legislation AB 1296) September 22, 2005).

As a tenant in the SF Marina since 1987 and a sailor in the Bay Area since 1968, I am well aware of the logistics of the Fort Mason location. Due to these very serious safety concerns about ANY ferry service from Fort Mason, it would certainly seem advisable that ferry service should ONLY start and finish at Pier 31 1/2.

The NPS should undertake a Supplemental EIS to thoroughly investigate all the safety issues on the current and projected recreational use by boaters, paddles and swimmers and the possible property damage to berth and boats. The NPS should have a full public comment period thereafter.

Grace Knight

gramek@aol.com

May 19, 2015

Dear Ms. Moyer:

I write this letter as a disabled athlete and U.S. Army veteran (1986-1992). I will not repeat what my fellow Dolphin Club and South End Rowing Club members have already written, but I do support their comments.

I was born in the City of San Francisco. I have seen the City transform from a Port to a tourist mecca. I love the waterfront and I am concerned for its future. I have always considered it home, even though I now live in Burlingame, CA, where I have been a public school board trustee since 1999. I currently work for San Mateo County Supervisor Dave Pine, as his legislative aide on all issues related to water, to include sea level rise.

I am managing to live with multiple sclerosis where swimming in the Bay is the ONE physical activity I can still do in the outdoors (outside of chlorine pools). The open swim events are my one chance to experience the outdoors the way I used to do by hiking in our National Parks. Please do NOT take away a disabled person's opportunity to experience the Bay in a healthy and naturally connected way.

I urge you to NOT approve Pier 3/Lower Ft. Mason as an option for the Alcatraz ferry embarkation. This location would severely negatively affect bay swimming, rowing, sailing races and sailing practice for many local students, extend heavy waterfront tourism from Fishermans Wharf into the Marina district, and raises serious questions about the effects on water quality and the acceleration of the structural deterioration of Muni Pier.

I fully support keeping the ferry service at its current location at Pier 41/ Ferry Building or at its previous location at Pier 31/33 at Fisherman's Wharf.

Establishing Alcatraz Ferry service embarkation from Fort Mason will have a serious and long-term negative effect on long-established recreational swimming and rowing opportunities. It would also place the NPS and ferry operators at greater risk and liability for potential injuries and death to recreational users.

The EIS fails to recognize that recreational swimming and rowing are not limited to the waters of Aquatic Park Cove. In fact, the entire area between Fisherman's Wharf and Yacht Harbor to the west of Fort Mason provides a critical recreation area to a growing number of open water swimmers, including me, and recreational rowers, kayakers, paddle boarders and boaters based out of Aquatic Park. Recreational usage continues to grow each year and users are swimming and rowing all year round.

I urge you to save bay swimming and recreation in this area--one of the few along the waterfront that is easily accessible--and locate the ferry service elsewhere.

Sincerely,



Michael Barber
1316 Palm Drive
Burlingame, CA 94010-3716
650-483-5087 (mobile)



MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on Public Process Participation and Schedule for the Update the Waterfront Land Use Plan

DIRECTOR'S RECOMMENDATION: No Action Required

Executive Summary

On April 14, 2015, Port staff provided an informational presentation on a comprehensive review of the Port of San Francisco Waterfront Land Use Plan ("Waterfront Plan"), public comments received on the review, and a proposed public process, program and schedule to update the Waterfront Plan ("Waterfront Plan Update").¹

Port staff proposed a community engagement process to support the Waterfront Plan Update, including the creation of a Waterfront Plan Working Group ("Working Group"). The Port Commission provided comments and direction to Port staff to further expand the opportunities for interested members of the public to participate. This staff report presents proposed refinements to the representation of the Working Group, and the creation of "Advisory Teams" to provide focused attention to specified topics in the planning process. The addition of Advisory Teams provides for increased participation for members of the public who may not have the time or interest to serve on the

THIS PRINT COVERS CALENDAR ITEM NO. 11C

¹ Informational Presentation to the Port Commission on Port Staff Proposal to Update the Port's Waterfront Land Use Plan, April 10, 2015, available online:

<http://sfport.com/modules/showdocument.aspx?documentid=9669>;

<http://sfport.com/modules/showdocument.aspx?documentid=9670>

Waterfront Plan Working Group. If the Port Commission supports this public participation format, Port staff will work to fill the Waterfront Plan Working Group and Advisory Teams, and invite submittals of interest from members of the public who would like to serve on either. A draft questionnaire for prospective candidates to the Working Group or Advisory Teams, accompanied by information on the Working Group and Advisory Teams role and expectations, is provided in [Attachment 1](#) to this staff report.

The process to establish Advisory Teams in addition to the Working Group will require additional time, which will shift the schedule for starting the Waterfront Plan Update process by two months. Port staff previously proposed starting the planning process in July 2015; with the recommended changes, staff now proposes starting the planning process in September 2015. A revised Waterfront Plan Update schedule is included in this staff report.

Waterfront Plan Public Participation

As described in the April 10, 2015 staff memorandum to the Port Commission, the Waterfront Plan Working Group will include a broad cross-section of interests and diverse membership. Members will provide citywide and regional perspectives and issue-specific knowledge. The Working Group will include staff members from of the San Francisco Bay Conservation and Development Commission ("BCDC") and the California State Lands Commission ("State Lands") and liaisons from the Port's existing advisory groups to ensure a robust cross-exchange of information and opinions.

The proposal to create Advisory Teams will supplement the Working Group in terms of content, expertise and public participation. Many people have an interest in helping to improve Port waterfront assets and amenities, but may not have the time to commit to serving on the Working Group. The Advisory Teams are intended to enable the Port to benefit from individuals who offer specialized expertise or knowledge on specified topics in the planning process.

Port staff will be conducting outreach to all members of the Board of Supervisors to solicit recommended candidates for the Working Group and Advisory Teams. Port staff will create a submittal process to solicit individuals who are interested in serving on the Waterfront Plan Working Group and Advisory Teams (see: [Attachment 1](#)). Submittals will be collected on-line and will be due on July 17, 2015. [Attachment 1](#) provides information about the Working Group and Advisory Teams, the topics and perspectives sought by the Port in these bodies, estimated time commitment and expectations for sharing information with the community organizations or networks with which candidates are associated. The Port Executive Director, after considering questionnaires and staff recommendations, will appoint members of the Working Group and Advisory Teams.

Port staff estimates that Working Group members will need to dedicate time for public meetings one or two times a month for 18 to 24 months. Advisory Teams will meet on a more limited basis during the planning process, depending on the given topic and depth of discussion among the participants. Input from the Advisory Teams is intended to assist and guide the Working Group discussion as it formulates its recommendations.

Advisory Team insights and recommendations will be presented for public review and discussion in the Working Group meetings.

The proposed perspectives of the Working Group are listed in Table 1 below. In addition, staff members from the San Francisco Bay Conservation and Development Commission and State Lands Commission will serve on the Working Group.

Table 1: Waterfront Plan Working Group (28 seats + BCDC and State Lands staff)
<p>City and region-wide representatives (<i>10 seats</i>)</p> <ul style="list-style-type: none"> • These seats will allow a variety of citywide perspectives which may or may not include those with waterfront interest or expertise.
<p>People with desired qualifications and experience (<i>13 seats</i>)</p> <ul style="list-style-type: none"> • Maritime Commerce • Public Access & Recreation • Environment & Health • Historic Preservation • Urban Design • Labor & Workforce • Business, Innovation & Tourism • Cultural & Institutional • Economy & Finance • Transportation & Vision Zero • Resilience/Sea Level Rise/Seismic
<p>Port Advisory Group liaisons (<i>5 seats</i>):</p> <ul style="list-style-type: none"> • Fisherman's Wharf • Northeast/Ferry Building Waterfront • South Beach/Central Waterfront • Southern Waterfront • Maritime Commerce

Depending on the level of public interest, the proposed Advisory Teams will be organized to address the following topics:

1. **Resilience** (Climate Change, Sea Level Rise, Seismic Safety)
2. **Recreation and Open Space** (Parks, Open Space, Recreation, Cultural/Institutional)
3. **Transportation** (Pedestrian Safety, Transit, Water Transportation, Traffic, Bicycles)
4. **Urban Waterfront** (Historic Preservation, Urban Design, Environmental Sustainability, Neighborhoods, Merchants, Tenants, Housing, Economic Impact)

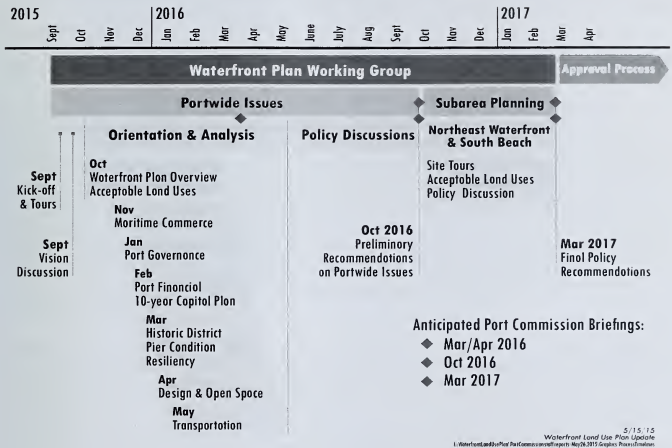
5. **Labor & Workforce** (Maritime Industry, Labor, Economic Development, Jobs, Small Business)
6. **Financial** (Public Financing, Capital Planning)

If this proposed public participation structure receives support from the Port Commission, Port staff will start the process to publicize the Working Group and Advisory Team opportunity, solicit submittals from interested candidates, and assist the Port Executive Director in appointing the Working Group and Advisory Teams. Online information, questionnaire and submittals of interest would be available in early June and the planned deadline for submitting completed questionnaires is July 17, 2015. Staff has established a target date of mid-September 2015 to kick off the Waterfront Plan Update process with water and land tours of Port facilities. Prior to the start of the public process, Port staff will provide the Port Commission and public with an announcement and roster of the Working Group and Advisory Teams. Information about the public process to update the Waterfront Plan is available to the public online: <http://sfport.com/wlup>.

Waterfront Plan Update Public Process Schedule

The proposed approach and planning policy topics to be addressed in the Waterfront Plan Update process are the same as presented at the April 14, 2015 Port Commission meeting and April 10, 2015 staff report with the exception of the addition of a Maritime Commerce session within the Orientation and Analysis phase. As indicated above, to provide the time needed to set up the Working Group and Advisory Teams, the schedule has been revised to start in mid-September 2015 instead of July 2015. Figure 1, on the following page, presents the revised planning process timeline.

Figure 1: Waterfront Plan Update Process Timeline



Port staff is planning orientation and informational presentations to provide the Working Group, Advisory Teams and the public with information about the Port in the topical areas as depicted in Figure 1, from October 2015 to May 2016. From May 2016 to October 2016, staff will facilitate policy discussions with the Working Group, ultimately yielding Working Group recommendations to address Port-wide issues. Advisory Team meetings also will occur during this period to address technical or content-specific issues, and any resulting information will be advanced for public review and discussion in the Working Group meetings.

From October 2016 to January 2017, staff will facilitate neighborhood-level planning in the Northeast and South Beach waterfront subareas with the help of the Northeast Waterfront and the Central Waterfront/South Beach Port Advisory Groups and interested members of the Waterfront Plan Working Group. Recommendations for the Northeast and South Beach subareas would be forwarded for public review and discussion at Working Group meeting(s). Together, the Port-wide and subarea planning will lead to recommendations by the Working Group to the Port Commission for its consideration of an update of the Waterfront Plan.

During the planning process, Port staff will provide periodic reports to the Port Commission. Port staff has planned briefings at specific milestones indicated in Figure 1, and may provide additional status reports as needed during the planning process to

keep the Port Commission informed and to receive guidance and direction. Any proposed amendments to the Waterfront Plan generated through the process will require environmental review pursuant to the California Environmental Quality Act prior to any Port Commission consideration.

Conclusion

Port staff appreciates the detailed attention, thought and direction from the Port Commission to expand and improve public engagement in the process to update the Waterfront Plan. The changes to the public participation structure described in this report will enable the Port to embrace a broader range and depth of waterfront interests. Staff is hopeful that a thoughtful discussion of the Port's challenges and opportunities can forge a strong bond between the Port and its visitors, interested stakeholders and partners, as well as a greater understanding in the larger city and regional context. The proposed public process is intended to support this objective. The process is intended to lead to meaningful amendments to the Waterfront Plan and to guide future improvements, as we jointly strive to realize a varied, activated Port that serves the needs of the City and the region.

Staff welcomes the public to participate in any manner going forward: by submitting a statement of interest to serve on the Working Group or an Advisory Team, to attend Working Group and Port advisory group public meetings, by sharing written suggestions, or by periodically monitoring staff and community progress during the planning process. Information on meetings, studies, documents and on-line public comment opportunities will be maintained on the Port's website, www.sfport.com/wlup.

Prepared by: Diane Oshima, Assistant Deputy Director
Brad Benson, Director of Special Projects
David Beaupre, Senior Waterfront Planner
Tani Elliott, Waterfront Planner

Prepared for: Byron Rhett, Deputy Director
Planning and Development

Attachment 1:

Waterfront Plan Working Group and Advisory Team Information and Submittal of Interest

ATTACHMENT 1

WATERFRONT PLAN WORKING GROUP & ADVISORY TEAM INFORMATION

What is the Waterfront Plan Working Group?

The Port of San Francisco is initiating a public process to update its master plan, the Waterfront Land Use Plan (Waterfront Plan).² This effort will embrace robust public participation in meetings that will be noticed and open to the public. A Waterfront Plan Working Group (Working Group) is being created to support this public process, and will include diverse perspectives and expertise to make recommendations to advance the objectives of the Port.

Who will serve on the Waterfront Plan Working Group?

Port of San Francisco staff is soliciting interest from members of the public who would like to serve on the Waterfront Plan Working Group. It is anticipated that the Working Group will have 30-32 members, representing Citywide and regional viewpoints as well as issue-specific knowledge or expertise. State waterfront agency representatives from the San Francisco Bay Conservation and Development Commission and the California State Lands Commission will also serve on the Working Group. See Part 2 below for a breakdown of the perspectives to be included in the Working Group. Working Group members should be willing to participate for the duration of the planning process, which may take 18 to 24 months. Most meetings will be convened during weekday evenings.

What are Advisory Teams?

In addition to the Working Group, the Port will create Advisory Teams to provide for technical or detailed discussion on specified topics related to the Waterfront Plan update. The Advisory Team discussions will be provided to, and supplement, Working Group public discussions. The Advisory Teams allow citizen participation in the Waterfront Plan update process, with less of a time commitment requirement than the Working Group. Advisory Teams will be convened for periods of time sufficient to analyze and formulate recommendations on a given topic, expected to be 3-6 months. Advisory Teams will be limited in size, anticipated to be 4-8 members per topic.

What are the requirements for serving on the Waterfront Plan Working Group?

The Port seeks people active in community organizations that address the perspectives listed in Part 2, below. Working Group members will be expected to provide a conduit to share and exchange information on issues addressed in the Waterfront Plan update process with community and neighborhood organizations and networks to provide maximum public outreach.

² A detailed discussion of the Proposed Update to the Waterfront Land Use Plan is presented in a Port Commission staff report, dated April 10, 2015. To access the staff report and access information about the Waterfront Plan Update: <http://sfport.com/index.aspx?page=2491>

Working Group meetings are anticipated to occur monthly, with meetings lasting about 2 hours in the evenings, starting in September-October 2015; at times there may be two meetings a month. The planning process is expected to take 18 to 24 months. Optional sessions such as Port walking tours, which could be scheduled on weekends, also are planned.

Advisory Team meetings will be more limited in number than the Working Group and will be defined by the scope of the given topic and interest of the Advisory Team participants.

Working Group and Advisory Teams members may be provided with reports and information in advance of meetings, with an expectation that members are able to devote time to review them and prepare for the meetings, as needed. The Port seeks candidates who commit to active engagement and regular meeting attendance, with allowance of absences upon advance communications with the Port. It is anticipated that some members of the Working Group may also participate in selected Advisory Teams.

Schedule

Submittals of interest will be accepted online through Friday July 17, 2015

Port selection and response to applicants for the Working Group is anticipated by September 2015 with the Advisory Teams to follow shortly after.

Waterfront Plan Update Public Process is anticipated to begin in mid-September 2015

**PORT OF SAN FRANCISCO WATERFRONT PLAN UPDATE
WATERFRONT PLAN WORKING GROUP AND ADVISORY TEAMS
PROPOSED SUBMITTAL REQUIREMENTS**

(Note: Submittal process will be online after May 26, 2015 Port Commission meeting)

PART 1 - SUBMITTAL OF INTEREST

1. Name & Contact Information *(phone numbers and email addresses will be confidential)*

Name:

Address:

Phone number:

Email address:

2. Interest in Waterfront Plan Working Group and Advisory Teams

Please review Part 2 and indicate which Working Group and/or Advisory Team perspectives you are applying for. Please attach a letter providing information about your interest and background that would make you a good candidate to serve on the Working Group or Advisory Teams.

3. Community Involvement

Please provide information on any neighborhood or community organizations in which you are involved, and in what capacity. Please describe how you are able to serve as a conduit to share and exchange information about the Waterfront Plan update to the public. Please provide a separate letter from an officer of the organization(s) you would be representing, if any.

4. Attendance and Participation

The planning process is expected to last 18-24 months, with regular monthly evening meetings of the Waterfront Plan Working Group, and possibly occasional weekend tours. Advisory Team meetings will be determined based on scope of the particular topic being addressed, but will be a more limited time commitment. Meeting attendance will be tracked. Are you able and willing to commit the time to attend meetings, including reviewing information generated during the public process?

5. Other Questions or Suggestions

Are there other waterfront land use issues that are not included in Part 2 below that you believe should be considered? Please share any other questions you have about the project or process.

Due Date: ***Friday, July 17, 2015, 5:00 PM***

Thank you for your interest in helping the Port of San Francisco on the Waterfront Land Use Plan Update Project. Port staff will review all applications and send a response by September 2015.

PART 2 - WATERFRONT PLAN WORKING GROUP & ADVISORY TEAM CATEGORIES

WORKING GROUP PERSPECTIVES	Applicants: Indicate which seat(s) you are applying for. You may apply for a seat to represent City, Regionwide or one of the topical areas listed. <u>Please fill out Part 1 to accompany this form.</u>
City and region-wide representatives (10 seats);	<input type="checkbox"/> Check if you are interested in serving (No specific expertise required). Why are you interested in participating?
People with desired qualifications and experience (13 seats): <ul style="list-style-type: none"> • Maritime Industry • Public Access & Recreation • Environment & Health • Historic Preservation • Urban Design • Labor & Workforce • Business, Innovation & Tourism • Cultural & Institutional • Economy & Finance • Transportation & Vision Zero • Resilience/Sea Level Rise/Seismic 	<input type="checkbox"/> Check if you are interested in serving. Of the bullets listed in the left column, which perspective would you provide to the Working Group? Why are you interested in participating?
Port Advisory Group liaisons (5 seats): <ul style="list-style-type: none"> • Fisherman's Wharf • Northeast/Ferry Building Waterfront • South Beach/Central Waterfront • Southern Waterfront • Maritime Commerce 	One representative to be nominated by each current Port Advisory Group
PUBLIC TRUST AGENCY PARTNERS San Francisco Bay Conservation & Development Commission (BCDC) California State Lands Commission	1-2 BCDC staff 1-2 State Lands staff
ADVISORY TEAMS – SPECIFIC TOPICS Advisory Teams will allow members of the public interested in participating in discussion on specific topic areas listed below.	Applicants: Indicate one or more Advisory Teams(s) in which you are interested in participating. <u>Please fill out Part 1 to accompany this form.</u>
1) <u>Resilience</u> (Climate Change, Sea Level Rise, Seismic Safety)	<input type="checkbox"/>
2) <u>Recreation and Open Space</u> (Parks, Open Space, Recreation, Cultural/Institutional)	<input type="checkbox"/>
3) <u>Transportation</u> (Pedestrian Safety, Transit, Water Transportation, Traffic, Bicycles)	<input type="checkbox"/>
4) <u>Urban Waterfront</u> (Historic Preservation, Urban Design, Environmental Sustainability, Neighborhoods, Merchants, Tenants, Housing, Economic Impact)	<input type="checkbox"/>
5) <u>Labor & Workforce</u> (Maritime Industry, Labor, Economic Development, Jobs, Small Business)	<input type="checkbox"/>
6) <u>Financial</u> (Public Financing, Capital Planning)	<input type="checkbox"/>



MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer, *in Meyer*
Executive Director

SUBJECT: Informational presentation on the mixed-use development project for Seawall Lot 337 & Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park

DIRECTOR'S RECOMMENDATION: Information Only

EXECUTIVE SUMMARY

Since executing an Exclusive Negotiation Agreement ("ENA") in September 2010 for the development of Seawall Lot (SWL) 337 and the adjacent Pier 48 (together the "Site"), Seawall Lot 337 Associates, LLC ("Developer"), Port and City staff have negotiated a non-binding term sheet (the "Term Sheet") with proposed financial terms for the lease and development of the Site (the "Project"). The Port Commission and Board of Supervisors each unanimously endorsed the Term Sheet in the spring of 2013.

As described in the Term Sheet, the Port and Developer have proposed a mixed-use neighborhood at SWL 337 with appropriate height and density to create a vibrant, walkable neighborhood with new parks and public spaces. In June 2014, the voters of San Francisco passed Proposition B whereby development of Port property exceeding existing height limits now requires voter approval in addition to the typical regulatory approvals. Last November, the Port Commission unanimously passed Resolution No. 14-60 to approve an Amended and Restated ENA affording Developer an appropriate amount of additional time to accomplish the steps required as a result of Proposition B.

Over the past 6 months, the Developer has re-examined the proposed heights and program for the Site. Today the Developer will provide a Project update including plans for presenting the Project to the voters on this November's ballot.

Prepared by: Phil Williamson, Port Project Manager
For: Byron Rhett, Deputy Director, Planning & Development

THIS PRINT COVERS CALENDAR ITEM NO. 11D



MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *Moyer*
Executive Director

SUBJECT: Request for Authorization to issue a Request for Proposals for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29 ½; and (vi) interim parking in Pier 33

DIRECTOR'S RECOMMENDATION: Approve Resolution

At its meeting on April 14, 2015, the Port Commission heard an informational presentation regarding the Request for Authorization for Proposals for a three year lease with two one-year options to renew for the Northern Waterfront parking operations. The April 14, 2015 presentation was accompanied by a staff memorandum dated April 10, 2015¹ which outlined the vision for the parking opportunity.

This staff memorandum further describes the proposed terms of the Request for Proposal in greater detail. Material updates to the April 10, 2015 staff memorandum are presented herein as double underlined text. In particular, updates have been provided related to terms for (1) the Minimum Lease Terms and Conditions, which now includes the section previously titled "Proposed Key Lease Terms," (2) submission requirements for bidders, (3) the intended evaluation process and (4) the accompanying Resolution for approval.

THIS PRINT COVERS CALENDAR ITEM NO. 12A

¹ <http://www.sfport.com/modules/showdocument.aspx?documentid=9671>

EXECUTIVE SUMMARY

Port staff is seeking authorization from the Port Commission to issue a Request for Proposals (the "RFP") from qualified entities to operate three (3) surface parking lots in the Northern Waterfront that includes interim expansion parking operations in Pier Sheds 19½, 29½ and 33. The surface parking lots at these Seawall Lots ("SWL"), together with the expansion lots, currently operate under a lease agreement that has expired and is on a month-to-month holdover basis. For visitors, these parking facilities are often the first and last impression of the Port of San Francisco. These visitors are often visiting Port businesses and attractions along the waterfront. It is essential that the facilities are managed and operated in a manner that reflects the Port and City's commitment to customer service, careful stewardship of the public assets, adequate revenue controls and professional management.

In an effort to broaden diversity among its parking lot operations the Request for Proposals will seek a financially sound, experienced parking lot operator in a "partnership" (including possible joint venture or other formation proposed by Respondents) with a community partner that can engage and develop current and future Local Business Enterprises (LBEs). Staff anticipates that such LBEs can be groomed to fulfill future Port of San Francisco parking operational needs as well as serve as an integral part in the successful operation of the Port's parking lots.

Parking associated with this opportunity is currently generating approximately \$2.8 million annually and is an important contributor to meeting the ongoing capital and expense needs of the Port. The Port seeks to maintain and ideally grow this revenue source through a parking operator that can maximize capacity at peak periods through technology, appropriate staffing and customer service.

The Port will evaluate each proposal to the extent it meets or exceeds the Project Objectives as outlined in this staff report. The results of the proposals will be presented at a future Port Commission meeting along with a request for authorization to negotiate and execute a lease with the highest ranked and most qualified respondent. The anticipated time to complete the process, to include an approved lease by the Port Commission and Board of Supervisors, is approximately seven months.

BACKGROUND

In early 2010, following a competitive bid process and approvals by the Port Commission and Board of Supervisors, the Port entered into Lease No. L-14747 with Priority Parking-CA, LLC for SWL 321, 322-I and SWL 323-324 for a three (3) year term. Priority Parking pays rent equal to the greater of a minimum monthly base or 66% of the gross revenues net of the city parking taxes. For the twelve-month reporting period from December 2013 through November 2014, approximately \$2,341,000 was generated in annual minimum rent with an additional \$80,000 in percentage rent paid for a total annual revenue of \$2,421,000 from the three (3) combined lots. Piers 19½, 29½ and 33 are designated expansion lots per the terms of the lease and due to the interim use pay

the Port 66% of the gross revenue net of city parking taxes with no minimum rent requirement. For the twelve-month reporting period beginning December 2013 through November 2014 approximately \$395,000 was paid from the three combined expansion lots. The lease term commenced January 1, 2010 and expired December 31, 2012 and has been operating on a month-to-month holdover basis under the same terms and conditions. The current tenant is a tenant in good standing.

PROJECT OBJECTIVES

The Northern Waterfront parking lots serve a very diverse customer base such as visitors to the Exploratorium and Alcatraz Island, local merchant patrons including restaurants, shops and offices, general visitors to the Port, attendees of special events hosted on Port property such as the James R. Herman Cruise Terminal and employees who work on Port property or in the northern waterfront. Due to the high volume of visitors coming to the Port the parking lots have transitioned from primarily a self-park operation, with few to no employees, to a robust visitor-serving operation with operator employees assisting visitors. In order to reflect the Port as a world class destination, the Port now desires to have its parking operations realigned to better accommodate the increased volume and offer a higher level of customer service. The Port has identified specific project objectives outlined below that we hope to achieve through this RFP process for a parking lot operator:

- Improve the overall financial performance of the parking lots through a net increase in revenue by attracting new users, providing additional customer amenities, partnering with Port attractions and merchants on pre-sold tickets and potentially initiate demand-based pricing,
- Enhance the overall visitor parking experience through appropriate staffing as demand dictates, designating customer waiting areas, installing highly visible easy to read signage, improving infrastructure such as lighting, paving and ADA accessibility, installing convenient and easy to use pay stations that comply with City-required revenue capture tracking,
- Expand the Port's diversity in parking lot operators, through increased outreach to underserved communities to ensure that they are aware of the contracting opportunities through partnerships with a Prime parking operator, and
- Explore opportunities to expand the Port's parking capacity.

In order to meet these objectives the Port proposes to engage its parking lot operator through a Request for Proposals ("RFP") process rather than a bid process. The RFP process will provide the Port more opportunity to evaluate and rate each proposal that best addresses the parking lot opportunity's financial and revenue requirements, combined with an actively participating community partner through a partnership with

defined responsibilities. The partnership will bring diverse skill sets that will enable the Port to maximize its parking lot revenue capacity in a socially responsible manner that addresses a growing and diverse visitor base.

PROPOSED RFP OPPORTUNITY

Approximately 233,000, square feet totaling approximately 900 parking stalls (or more for operator-assisted “valet” parking) consisting of SWL 321, SWL 322-I, SWL 323-324, and Pier Sheds 19½, 29½ and 33 as shown on the attached maps.

Seawall Lots

- SWL 321 is approximately 53,199 square feet with approximately 300 valet parking stalls, bounded by the Embarcadero, Green and Front Streets. SWL 321 primarily services the Exploratorium to which, under the terms of its lease, the Port is required to provide 200 stalls, at market rates, that incentivize turnover of the lot throughout the day.
- Seawall Lot 322-I is approximately 37,810 square feet, with approximately 151 self-park stalls and approximately 200 valet parking stalls, bounded by Broadway, Vallejo and Front Streets.
- Seawall Lots 323-324 is approximately 56,906 square feet, with approximately 227 self-park stalls, bounded by the Embarcadero, Broadway and Davis Streets. The Port has the right to up to 64 self-park stalls for its employees whose fees shall be excluded from the Gross revenue reported to the Port.

Interim Pier Sheds

- Pier 19½ Shed is approximately 37,500 square feet, with approximately 100 self-park stalls.
- Pier 29½ Shed is approximately 42,500 square feet, with approximately 75 self-park stalls.
- Pier 33 Shed consists of approximately 5,000 square feet, with approximately 25 self-park stalls (Tenant parking only, not a public facility).

The above number of stalls is an estimate only and could be increased or decreased depending on lot configuration, self or operator-parked or other factors. The successful Respondent shall be solely responsible for determining the number of parking stalls available to generate maximum revenue based on a physical inspection of each lot configuration. The Pier Shed lots are considered interim use and could be subject to termination or alternative use at any period during the lease term.

MINIMUM LEASE TERMS AND CONDITIONS [now included Proposed Lease Terms from prior report; changes are double underlined]

1. Term: one three (3) year term with two (2) one-year options to renew, at the sole discretion of the Port.
2. Annual minimum rent adjustment: 3.5%
3. Minimum Acceptable Rent: The greater of Minimum Monthly Base Rent or Percentage Rent of not less than 66% of gross receipts net of city parking taxes per month. Outlined below are the Minimum Monthly Rent requirements for the initial year of the lease:
 - SWL 321: \$73,000 per month
 - SWL 322-I: \$52,000 per month
 - SWL 323, 324: \$78,000 per month
 - Pier 19½ Shed: Percentage Rent Only
 - Pier 29½ Shed: Percentage Rent Only
 - Pier 33 Shed: Percentage Rent Only
4. Port's Option to Expand Premises: Should any opportunity for additional public parking in surface lots, sheds or on Port property become available or, on an as-needed basis, the Port shall have the option to expand the Premises to certain sites contiguous or non-contiguous to the Premises but within Port jurisdiction ("Expansion Site") for the sole purpose of providing public parking. For operations of the Expansion Site(s), Tenant shall pay a minimum percentage rent to the Port of 66% of gross receipts, after parking taxes. Each expansion opportunity will be approved, in writing, by the Port.
5. Improvements: Each lot will require a minimum level of improvements or maintenance during the lease term that may require substantial capital to implement. The Tenant will accept the parking lot in its "AS IS" condition and will be responsible for all necessary improvements, maintenance and compliance with laws. Throughout the term of the lease Tenant will be required to maintain the surface lots including, utilities, lighting, revenue equipment, attendant booths, bollards, signage striping and general appearance in a condition satisfactory to the Port. Tenant will be responsible to secure any required permits from the Port for the improvements or from any other governmental agencies as required. The Port, in its sole discretion, may request the Tenant perform additional improvements beyond its required maintenance and repair obligations defined in the lease. Subject to the Port's prior written approval as to the scope and cost of the improvements, Tenant may credit those additional improvements against minimum rent or percentage rent.
6. Security Deposit: Tenant shall deposit with the Port, as security for the lease, an amount equal to three (3) months of the minimum rent in year three (3) in cash or

in an irrevocable Standby Letter of Credit in a form and from financial institution acceptable to the Port.

7. Performance Standards: The lease shall be subject to financial and operating performance standards such as consistency in meeting pro-forma revenue targets, maintaining improvements in the lots and providing a high level of customer service as provided for in the Operation Plan. Failure to adhere to such standards will be the grounds for default and, if uncured, termination.
8. Signage: The Tenant will be required to provide all signage regarding rates, hours and any other conditions such as validation in a highly visible and professional manner that will be subject to the Port of San Francisco signage guidelines and permits. Tenant shall co-brand the signage as a Port of San Francisco lot and display the Port logo on any entrances to the lots.
9. Additional Port Requirements: The Port will have the right to require the Tenant to provide space for the Car Share Program, Zip Car Share, and to provide space for electric vehicle charging stations and equipment.
10. Termination and/or Recapture Rights: The Port will have the right to terminate the Lease for any reason upon no less than 180 days' written notice. Port will have the right to recapture any portion of the premises with no less than a 10 day written notice.
11. Prevailing Wages: The Lease will include the City's prevailing wages and displaced worker protection requirements for parking lots pursuant to Section 21C.3 of the City's Administrative Code.
12. Revenue Monitoring Equipment: The Lease will require the Tenant to install and utilize revenue control equipment approved by the City and County of San Francisco in location(s) approved by the Port.
13. Special Restrictions:
 - SWL 321: Operator must provide a maximum of 200 non-exclusive general parking spaces and a maximum of up to 30 exclusive parking spaces for employees of the Exploratorium. Should an employee desire to park in the lot, there is a one-to-one reduction in the number of general parking spaces, per the Port's agreement with the Exploratorium. Those employees would pay the posted parking lot rates. Parking Operator shall work with the Exploratorium to maximize the car turnover by instituting tiered pricing that encourages shorter stays, subject to Port approval.
 - SWL 323: This lot is for general public paid parking. The operator must provide 40 stalls within the lot and 24 spaces along Davis Street to Port of San Francisco employees, as designated from time to time by the Port. Port

employees pay monthly parking fees directly to the Port and shall be excluded from the lot's Gross Revenues.

14. Operations Plan: Tenant shall provide a Port approved Operations Plan that will outline policies and procedures for: customer service, proposed rates and potential increases, signage, minimum staffing levels for peak and non-peak periods, hours of operations, equipment, security plan, reporting, maintenance schedule, job descriptions, cleaning schedule, environmental compliance plan, storm water management plan and other performance standards as required. Non-compliance with the Operations Plan may be deemed a material breach of the lease subject to termination if uncured. Special event pricing shall be subject Port review and approval. The Port, in its sole discretion, may request changes to the Operations Plan such as increased hours of operation, staffing or security. To the extent the requested changes result in additional costs, Tenant may request a credit against minimum rent or percentage rent.
15. Standard Port Lease Provisions: The Lease will contain standard insurance, indemnity, hazardous material, audit rights, security deposit, maintenance and repair provisions and all City and Port requirements.
16. Approval: Port staff will present the successful Respondent and related lease to the Port Commission for approval and recommend said lease be forwarded to the Board of Supervisors for approval.

LOCAL BUSINESS ENTERPRISE PARTICIPATION

Respondents are encouraged to include a Local Business Enterprise as a partner either in providing specific services such as community outreach engagement and development, operations, maintenance, security or managing the parking operations as an actively participating partner of the Respondent.

CLIMATE CHANGE

The proposed Operations Plan for the Lot shall include proposed solutions to reduce negative environmental impacts of the lot operations. Areas to address are: environmentally responsible cleaning, reduction in Green House Gas ("GHG") emissions, installation of electric vehicle charging stations, providing car and bike share facilities, limits on idling vehicles and other such measures as prudently practical.

FUTURE DEVELOPMENT OF SEAWALL LOTS AND PIER SHEDS

SWL 322-1 – The Port has entered into a Memorandum of Understanding with the Mayor's Office of Housing and Community Development for the development of an affordable house project. Any development may require the Port to terminate this portion of the lease during the term or any extension option period.

SWL 323-324 – The Port is in active discussions for a future development of the parking lot. Any development may require the Port to terminate this portion of the lease during the term or any extension option period.

Piers 29½ – The Port is commencing a structural repair project for Pier 31 which may impact the parking in this Shed. All or portions of the Shed may be required for contractor staging areas.

MINIMUM QUALIFICATIONS AND EXPERIENCE

Outlined below are the general minimum qualifications which will be further described in the RFP.

1. The Respondent must be engaged primarily in the business of operating public parking lots and must have managed or is managing not less than 1,000 parking spaces with combined annual gross revenues of at least \$3,000,000 (including parking tax) for a minimum of thirty-six (36) consecutive months within the past five (5) years.
2. The Respondent must demonstrate: good financial standing, the ability to perform the financial obligations under the terms of the lease such as providing pro-forma revenue and expense reports, a comprehensive business plan, capital and operating budgets and have a satisfactory record with other parking contracts and a demonstrated customer service record. Each Respondent must also meet the Port's standard criteria for credit worthiness. The Financial Responsibility and Experience Questionnaire, and the Application for Lease will be used to evaluate a Respondent's financial condition. Adequate Insurance coverage will also be required.
3. The Respondent must show a documented level of Local Business Enterprise outreach and must include a partner who will engage with the Local Business Enterprise Community as described in the Project Objectives.
4. The Respondent must have experience in the use of automated pay stations, automated parking access and revenue control equipment and software, including such functions as sophisticated spreadsheet and informational retrieval and report writing capability, etc.
5. Experience in managing at least ten (10) full-time operations employees at parking facilities that are staffed and open to the public at a minimum of twelve (12) hours per day, preferably on a twenty-four (24) hour basis and experience in daily valet parking operations and shuttle services from parking facility to event venues.
6. The Respondent must complete the Human Rights Commission work force forms A&B.

Respondents who do not meet the above qualifications will not be considered.

SUBMISSION REQUIREMENTS AND EVALUATION PROCESS [new section]

Port staff will screen all submitted proposals to determine if they are responsive to the RFP and meet minimum qualifications. Responsive packages will then be submitted to the selection review panel comprised of Port Real Estate, Planning and HRC staff members; City staff member(s) from MTA / SFO and a community member, for evaluation and scoring.

In general the evaluation will include:

- Completeness and creativity of the Proposal;
- Financial strength and history of the Respondent business (tax returns, profit and loss statement, cash flow statement, balance sheet and pro forma, and credit history);
- Structure of partnership and meaningful role of each partner;
- Business plan and pro forma and profit sharing between partners;
- Prior experience; and
- References (Port staff and/or member of the selection review panel will contact references).

In an effort to promote and broaden diversity among its parking lot operations each proposal will be evaluated, in part, on the strength of the partners, their individual and joint experience both as stand-alone operators and demonstrated experience working in partnerships. The panel will be judging the structure of the partnership to ensure that the "partnership" demonstrates a valid risk and profit sharing, and contains a plan that clearly outlines areas of responsibilities for all partners.

For purposes of the RFP a partnership will be defined as a legal form of business operation between two or more individuals or companies that share management responsibilities and profits, have a system of shared decision making, shared power, and a plan that combines the capacity of both parties.

Each partner must have sufficient organizational capacity to manage projects and budgets. The partnership must exhibit the ability collectively to develop manageable goals and objectives that will best ensure outcomes consistent with the project objectives outlined in the RFP.

Respondents' proposals must meet the "Project Objectives" of the RFP as outlined above.

A selection panel will review and score all responsive proposals based on two categories:

1. <u>Written Proposal</u>	<u>Points</u>
A. <u>Qualifications and experience</u>	<u>20</u>

B. Management approach/staffing/operational plan	25
C. Strength and structure of partnership	25
D. Innovation technology incorporated into operations	10
E. Security and safety plan	10
F. Accountability and clarity of proposal	10
Total Written Points:	100
2. Oral interview/Presentation	25
Total Points	125

Port staff will notify all respondents(s) via mail and e-mail. After evaluating the written proposals, the top two (2) highest scoring (minimum 70 points or higher out of 100 points) Respondents/proposals (whether they are individual businesses or a part of a collaborative group) will be invited back by the selection review panel for an oral interview. These interviews will be included in the final scores. Port staff will review the final selection review panel scores and will determine the most qualified respondent(s).

Port staff and the Port Commission reserves the right to accept or reject the selection review panel's recommendations. Port staff may, in its sole discretion, independently investigate the qualifications of certain respondents and/or conduct additional interviews with certain respondents. The Port staff reserves the right to revise the evaluation process and to request clarification or additional information from any respondent(s).

The Port Commission is the sole and final decision-maker regarding the award for this opportunity, and it reserves the right to reject any or all proposals or to terminate lease negotiations at any time. The Port reserves the right to request that some or all respondent(s) make presentations to Port staff, the Port Commission, community groups, or others as requested.

PROPOSED TIMELINE

May 26, 2015	Port Commission approval to issue RFP
June 2, 2015	Anticipated issuance of RFP
June 9, 2015	Pre-submittal meeting to tour each parking lot
July 14, 2015	Proposals are due and hand delivered by close of business (5 p.m. PST)
July 15, 2015- August 12, 2015	Port staff will screen responses and Panel will review and evaluate the qualified proposals and score the Respondents
Sept 8, 2015	Informational presentation to Port Commission to share the results
Sept 22, 2015	Recommendation to Port Commission and authority to negotiate lease
Nov 10, 2015	Port Commission to approve lease
Dec 8, 2015	Board of Supervisors' approval of lease (anticipated)
January 1, 2016	Lease to commence

NEXT STEPS

Based on input from the Port Commission, Port staff anticipates returning to the Port Commission at its meeting on September 8, 2015 to request an authorization to issue a Request for Proposals for the above referenced parking operator.

RECOMMENDATION

Port staff recommends that the Port Commission approve the issuance of the Northern Waterfront Parking RFP as outlined generally above.

Prepared by: Jay Edwards
Senior Property Manager

Robert Davis
Principal Administrative Analyst

Prepared For: Susan Reynolds
Deputy Director of Real Estate

Attachments:

Maps for SWL 321, 322-1, 323-324; and Piers 19½, 29½, and 33

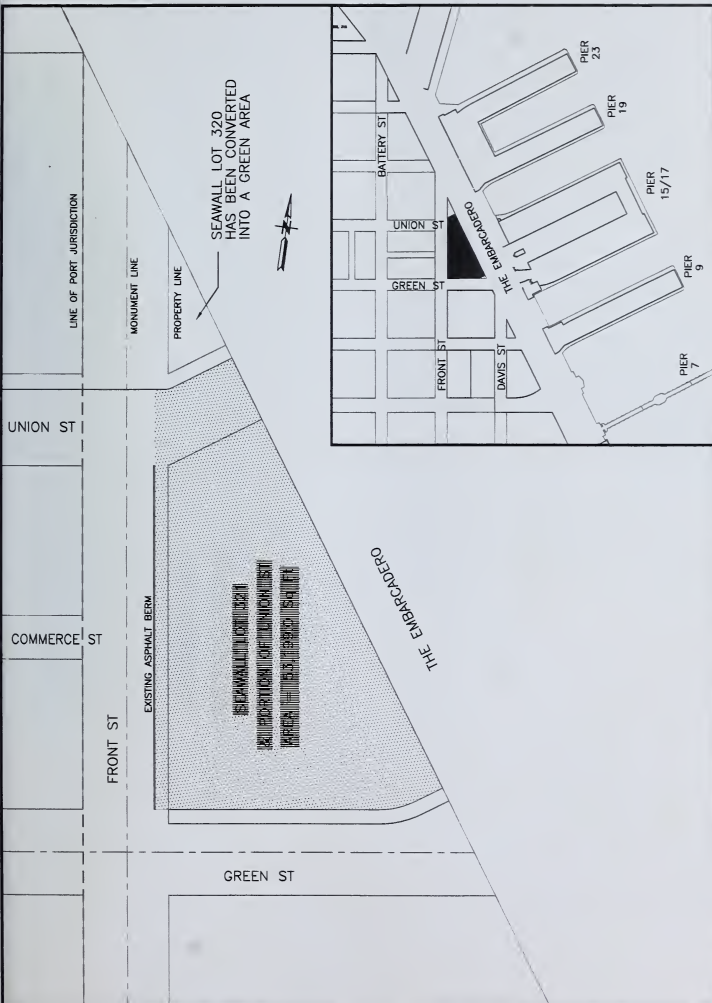
**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-20

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, under City and Port policy, all lease opportunities must be publicly bid and the Port wishes to issue a Request for Proposal (RFP) for leasing opportunity at Seawall Lot 321, Seawall Lot 322-1, Seawall Lots 323-324, Pier 19½ Shed, Pier 29½ Shed and Pier 33 Shed all located in the Northern Waterfront ("Opportunity"); and
- WHEREAS, the Opportunity consists of a lease for a term of three (3) years with two one (1) year options to renew at the Port's option; and
- WHEREAS, the Port wishes to improve the overall financial performance of the parking lots, enhance the overall visitor parking experience, expand the Port's diversity in parking operators, and explore opportunities to expand the Port's parking capacity; and
- WHEREAS, the qualifications, criteria and process for selecting the most qualified Respondent(s) are summarized in the staff memorandum accompanying this resolution; now, therefore, be it
- RESOLVED, that the Port Commission authorizes Port staff to issue an RFP for the above referenced leasing opportunity in the Northern Waterfront.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 26, 2015.

SECRETARY



LEASE NO.	 SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT SEAWALL LOT 321	DRAWN BY: ECG CHECKED BY: BAUER PLACE CODE NO.	DATE: JAN 7, 2009 SCALE: 1"=400' SHEET NO.
			3210-00	OF SHEETS

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FRONT ST

VALLEJO ST

137.50°

274.98'

DAVIS ST

BATTERY

JACKSON ST

FRONT ST

DAVIS ST

THE EMBARCADERO

PIERCE

PIERCE


PIER 5/17

ER

ER

LEASE NO.

TENANT



SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
PORT DEPARTMENT OF ENGINEERING

SEAWALL LOT
322-1

DRAWN BY: ECC	DATE: JAN 7, 2009
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CHECKED BY: J. BAUER

PLACE CODE NO.	SHEET NO.
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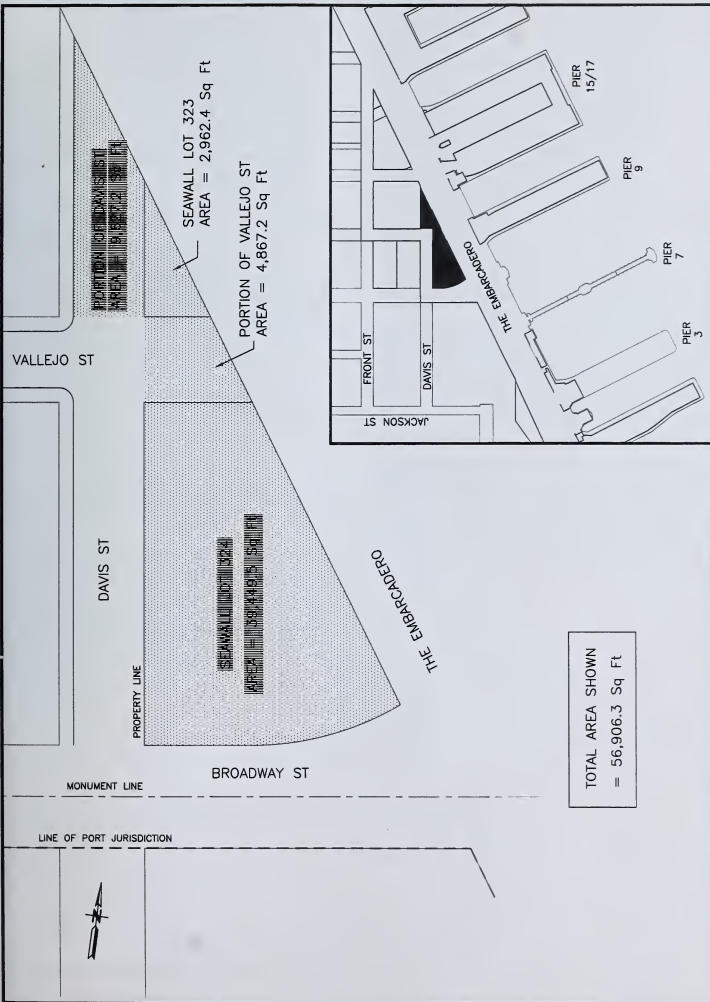
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322-1

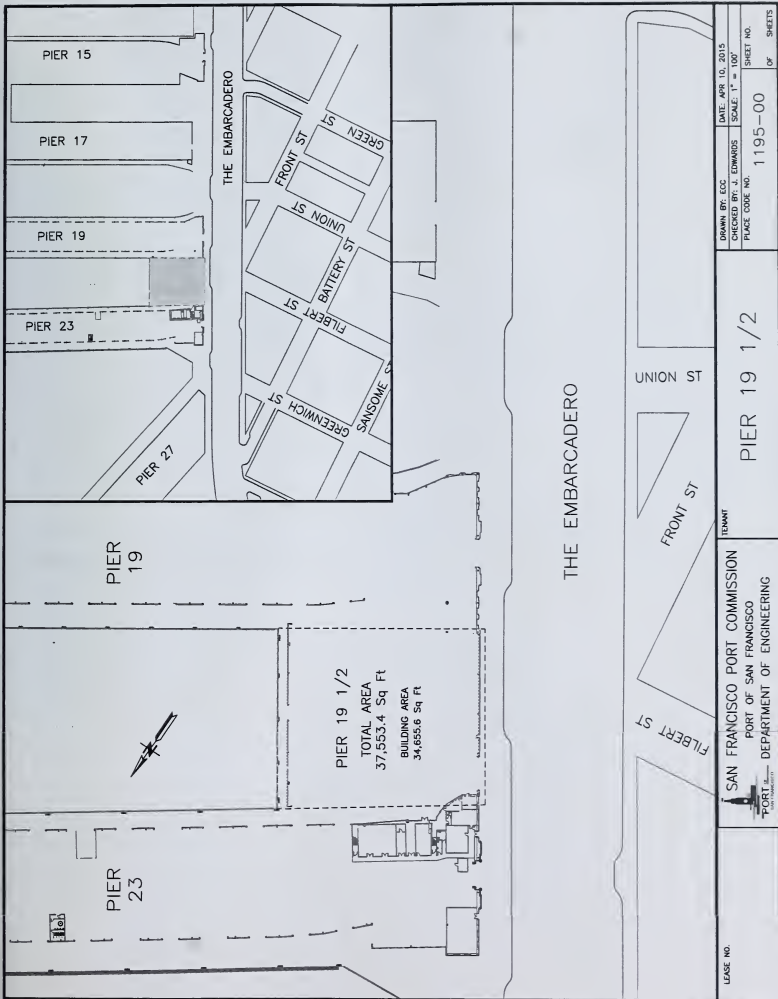
DEPARTMENT OF ENGINEERING

PORT 2

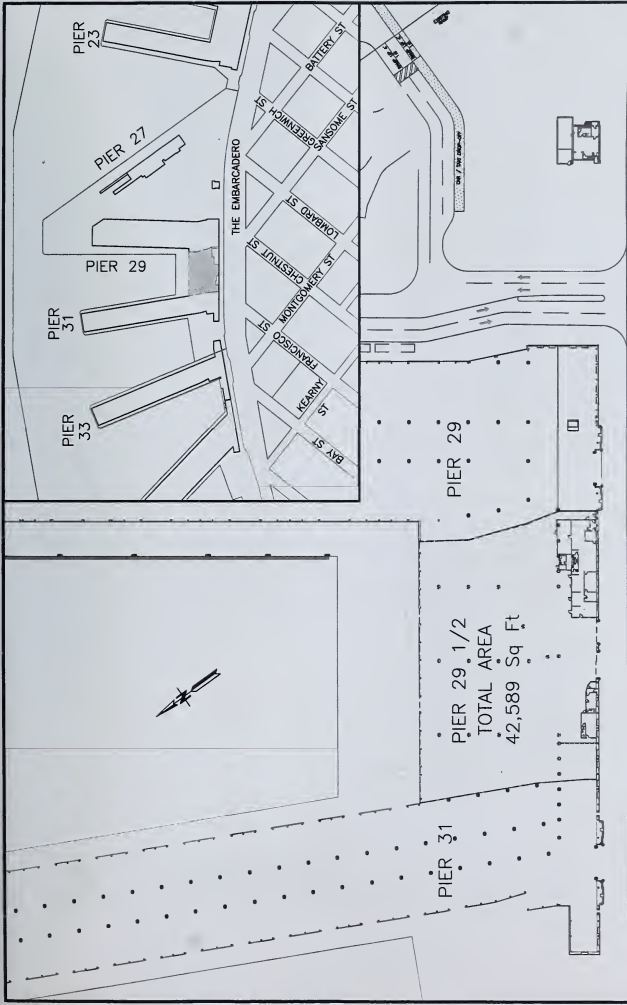
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LEASE NO.	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TOWN SEAWALL LOTS 323 & 324	DRAWN BY: ECC CHECKED BY: J. BAUER SCALE: 1"=400' DATE: JAN 2, 2009 PLAC CODE NO. 3240-00 SHEET NO. OF SHEETS
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LEASE NO.	 SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENDRANT	PIER 19 1/2	DRAWN BY: ECC CHECKED BY: J. EDWARDS PLACE CODE NO.	DATE: APR 10, 2015 SCALE: 1" = 100' SHEET NO.	1195-00 OF SHEETS
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THE EMBARCADERO

PIER 29
 PIER 31
 TOTAL AREA
 42,589 Sq Ft

LEASE NO.	 SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TOWNT PIER 29 1/2	DRAWN BY: ECC CHECKED BY: J. EDWARDS PLACE CODE NO. DATE: APR 10, 2015 SCALE: 1" = 100' SHEET NO. 1295-00 OF SHEETS
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SAN FRANCISCO BAY

SAN FRANCISCO BAY

FACILITY 1335
(PIER 33 1/2)

(PIER 33)

FACILITY 1330

FACILITY 1330
AREA = 130,895.0 Sq Ft

FACILITY 1335
AREA = 6,042.4 Sq Ft

TOTAL SHED AREA = 103,782.7 Sq Ft
(FACILITIES 1330 & 1335 COMBINED)

THE EMBARCADERO

LEASE NO.

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
"PORT" DEPARTMENT OF ENGINEERING

TENANT

PIER 33

DRAWN BY: ECC

CHECKED BY: J. EDWARDS

DATE: APR. 10, 2015

SCALE: 1" = 100'

PLACE CODE NO.

1330-00

SHEET NO.

OF SHEETS



MEMORANDUM

May 21, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Informational presentation regarding the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event, Filming and Public Art Rates

DIRECTOR'S RECOMMENDATION: Informational Only

Executive Summary

This item is brought before the Port Commission as an information item to present the proposed Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates (Rental Rate Schedule). Port staff also proposes inclusion of a waiver of rental rates for Public Art displays meeting certain criteria.

Pursuant to statute, the Port is required to charge market rates for its properties, deposit such revenues into the Harbor Fund and use such funds to operate and maintain the Port as a self-supported entity. To set rates, Port staff surveys a variety of real estate data to ascertain equivalent market rates for its properties. Such rates are compiled into the proposed Rental Rate Schedule (see Exhibits A and C hereto) for the Port Commission's and public's review and discussion. Port staff proposes that, if adopted at a subsequent Port Commission meeting, the Rental Rate Schedule for Fiscal Year 2015-16 take effect on July 1, 2015.

As discussed more fully herein, the overall San Francisco and regional commercial real estate markets are enjoying low vacancy rates and high rental rates in all sectors. Similarly, Port property enjoys a low vacancy rate and a very low turnover rate. A total of 61 property locations are listed on the Rental Rate Schedule (Exhibit A). Port staff proposes to raise rates at 48 locations (79%). Port staff proposes holding rates

THIS PRINT COVERS CALENDAR ITEM NO. 12B



unchanged at the remaining 13 properties due to their challenged physical condition such as at Pier 54 or 501 Cesar Chavez. Port staff does not propose to reduce rates at any properties. Likewise, Port staff proposes raising rates for resale parking, certain Special Events and filming.

Background

The Port Commission periodically reviews and sets rental rates for its commercial leasing properties. These rates are known as the Port's Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule and Special Event and Filming Rate Schedule (together, the "Rental Rate Schedule"). This year staff proposes to add Public Art uses to the schedule as described herein.

Separately, starting in 1993, the Port Commission delegated authority to the Executive Director to approve and execute (i) leases, (ii) licenses and (iii) Memoranda of Understanding ("leases") provided that the terms of these agreements conform to certain minimum parameter terms of the Port's leasing policies. These parameter terms include a schedule of minimum rental rates for leases, aka the Rental Rate Schedule, that are delegated to the Executive Director for execution without Port Commission approval.

Typically, the Port Commission reviews rates on an annual basis, and enacts a new Rental Rate Schedule which most often includes increases to rental rates for some properties, decreases to rental rates for other properties and unchanged rates for some properties. The Port Commission's review is based on recommendations from Port staff following staff's research of current market conditions (see "Rate Setting Methodology" below). At the request of the Port Commission, Port staff first present the proposed new Rental Rate Schedule as an informational item to allow the Port Commission and the public the opportunity to review the proposal, make inquiries and request amendments if needed. Thereafter, Port staff present a final Rental Rate Schedule, with an effective date, for Port Commission approval.

The Port's current Rental Rate Schedule for Fiscal Year 2014-15 was adopted by the Port Commission on June 10, 2014 and became effective as of July 1, 2014. It will remain in effect until the Port Commission adopts a successor Rental Rate Schedule with a new effective date.

The Rental Rate Schedule is one of several Port Commission directives and policies to address real property agreements in accordance with the Port's mission to manage and steward the Port's diverse real estate assets. Embedded in the Port's management of its portfolio is its obligation to charge market rates for its property. Generally, the leases, licenses and Memoranda of Understanding that Port staff executes under this delegation include agreements for use of existing structures, facilities and land involving negligible or no expansion or change of use. A synopsis of Port Leasing Policies providing for delegated authority to staff is contained in Exhibit H hereto.

San Francisco Market Summary

As is well-documented, the San Francisco commercial real estate market has continued to rise in tandem with a continued reduction of San Francisco's unemployment to 3.6%, down



from 5.2% in January 2014¹. Property management company, Cushman & Wakefield notes that “68.5% of the private sector jobs created over the past 12 months have been within the traditional office division” as compared to 27% nationwide. According to real estate services firm, CBRE “net absorption² for the year was 636,000 sq. ft., driven by a number of sizable deals, including five over 100,000 sq. ft.” All major real estate companies cite technology companies as the impetus behind San Francisco’s positive net absorption rates. Colliers International notes that “this marks the 19th consecutive quarter [almost 5 years] of positive net absorption, a streak that places the city among the healthiest office markets in the world.”

In surveying available market research, Port staff found varying reports of office vacancy rates as of First Quarter 2015 (1Q 2105). Experts place the vacancy rates in a range from to 5.5% to 9.9%. Colliers International notes that “the vacancy rate has been below the 10 percent ‘tipping point’ for over two years” and that the Civic Center area experienced the largest recent decline in vacancy. All real estate companies surveyed by Port staff predict the strong office market to continue with very low new vacancies compounded by the potential of San Francisco to hit its Proposition M³ office cap in the coming year. The Port’s current office vacancy rate is 3.9% compared to a citywide average of approximately 6.8%.

As a result of improving vacancy rates, office rents in San Francisco continued steady inside and outside of the Central Business District (aka Financial District). Much like vacancy reports, Port staff found varying reports on the amount of change in market rate rents for all three classes of office space (Class A, Class B, and Class C). Several firms noted a minor decrease in Class A office rents, coupled with an extremely strong increase in Class B rents, largely driven by the new leasing in the Civic Center area.

While much of the attention has been on San Francisco’s office space, those real estate firms that follow the industrial sector noted a continued tightening in this market as well. In particular, DTZ (a commercial real estate services firm) noted that vacancy for Bay Area industrial properties was 3.8% and that such vacancy “has fallen eleven consecutive quarters.” DTZ further notes that there is only “11.9 million square feet of available space (of an inventory of 314.2 MSF) in the region and the average age of that space is 35 years old. In other words, there is virtually no available modern space left.” Cushman & Wakefield also noted a decline in vacancy of industrial space and a corresponding increase in asking rates fueled both by technology companies and a lack of new construction.

Most of the Port’s industrial space is either warehouse shed space or land. With respect to the Bay Area warehouse market, DTZ reports a vacancy rate of 4.2%, representing the lowest warehouse vacancy since Fall 2007. The Port’s industrial/warehouse vacancy is 9.4% as discussed further below. DTZ also notes a significant amount of new space that has been built in 2014 and 2015 but that has been rapidly occupied. As such, neither DTZ nor Cushman & Wakefield forecast a rise in warehouse vacancy rates in the next 12

¹ Federal Reserve Bank. May 2015 Report

² Defined as the difference between the amount occupied at the end of 2013 and the amount occupied at the end of 2014

³ Passed November 1986, sets an annual limit on citywide office development and governs the approval of all development projects that contain more than 25,000 gross square feet of office space. Such projects require an “office space allocation” from the Planning Commission.

months. Both firms noted that the average Bay Area asking rate for warehouse space rose to approximately \$0.64 per square foot, breaking through its previous 2007 high of \$0.60.

Unfortunately, most industrial/warehouse property analyzed by commercial real estate firms and attributable to San Francisco is actually housed on the San Francisco peninsula and outside the city limits making it difficult to find good comparables for Port property. Further exacerbating this trend, most such space is significantly newer (although not new), larger and more conveniently located than equivalent Port space. However, DTZ noted that warehouse vacancy in San Francisco County is 2.7% and asking rates average \$1.10 per square foot.

Port's Rental Portfolio

The Port's portfolio area consists of 7½ miles of waterfront property adjacent to the San Francisco Bay, from Hyde Street Pier in the northeast to India Basin in the southwest. It includes more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. Commercial operations on Port property include restaurants, retail shopping, ferry service, commercial fishing, Bay excursion, leasing, professional sports, bulk cargo, cruise ship calls and ship repair. The Real Estate Division manages approximately 588 commercial leases, which represent 320 commercial and industrial tenants including long-term ground leases at Fisherman's Wharf, 50 Francisco, Pier 39, Piers 15-17, Piers 1½-3-5, Pier 1, the Ferry Building and AT&T Park.

The Port's properties available for commercial leasing consist of approximately 13.9 million square feet, as described below. As such leases expire, are amended or renewed, they become subject to the current Rental Rate Schedule. Such properties consist of:

Space Type	Amount in Square Feet	Notes
Office Space	315,105	Class B and Class C space located in 18 buildings Includes office storage No Class A space
Industrial Shed	1,834,864	Located on 16 piers and 6 seawall lots
Fishing Industry	25,000	Landside space for fish wholesaling, processing and gear storage at Piers 45 and 33
Open Land	980,100 unpaved 9,954,391 paved 871,200 improved 360,000 submerged 12,165,691 total	Generally refers to pier aprons and valley areas
Total	14,340,660 13,980,660 not submerged	

The Port manages a sizeable and diverse portfolio of assets. Assets managed by the Port's Real Estate Division generated approximately \$65.4 million in annualized revenue in Fiscal Year 2014-15. Rates for such properties are negotiated in a variety of manners. Parameter rental rents impact shed, office, and parking stall customers, or approximately

17% of total Real Estate Revenues, as shown in the following table.

Category	Annualized Revenue	Percentage of Total
Parameter Shed or Land	\$ 6,829,426	10%
Parameter Office	\$ 3,950,762	6%
Parameter Parking (Stalls)	\$ 597,431	1%
Sub-Total Parameter Revenues	\$ 11,377,619	17%
Parking Lots	\$ 11,332,088	17%
Ground Lease/ Development	\$ 12,681,338	19%
Non-Parameter Shed or Land	\$ 9,515,136	15%
Restaurant & retail	\$ 10,599,461	16%
Parking Meters	\$ 8,134,930	12%
Non-Parameter Office	\$ 1,479,824	2%
Film/Event/Other	\$ 297,319	0%
Sub-Total Non-Parameter Revenues	\$ 54,040,095	83%
Total Real Estate Revenues	\$ 65,417,714	100%

**Annualized Revenue is an estimate of the annual revenue by detailed category; dividing actual receipts by detailed category is not possible.*

Port Vacancy

The demand for space along the Port's waterfront is high. As noted above, the Port's current office vacancy rate is 3.9%. The Port's vacancy rate is lower than the citywide office vacancy rate of approximately 6.8%. The Port's industrial/warehouse vacancy is 9.4% largely driven by longer-than anticipated re-entitlement of Piers 19 and 23 following the America's Cup and Pier 29 following the final completion of the cruise terminal equipment building anticipated in June 2015.

Port Leasing Volume

In the period from April 1, 2014 to March 31, 2015, Port Real Estate staff executed 66 real property agreements pursuant to the Fiscal Year 2014-15 Rental Rate Schedule totaling \$440,582 per month or \$5,286,990 annualized.

Rate Setting Methodology

Port staff reviews numerous pieces of data to create a composite rate suited for each of the Port's unique assets. Generally the data used to inform the composite rate falls into one of the following categories:

1. *Commercial Data:* Port staff review available commercial data including comparable market rates of similarly situated properties to that of Port properties (see Exhibit D, Bibliography). With respect to office space, Port staff consulted market reports published by five San Francisco real estate firms. With respect to industrial space, Port staff consulted market reports published by DMZ, formerly Cassidy Turley and Cushman and Wakefield. With respect to fish processing/gear storage space, Port staff consulted five separate fishing harbors. With respect to parking, Port staff surveyed

various parking lots/garages in adjacent areas (see Exhibits F1 & F2, Parking). A summary of Port staff's findings is presented throughout this report.

2. *Port Leasing Activity:* Port staff review Port leasing activity for the prior 12 months (included as Exhibit I) and use this data to measure current market conditions (i.e., supply and demand) of the Port's unique space. Large vacancies would signal that rental rates are too high and low to no vacancy would signal that they are not high enough. Port staff also surveys several of our master tenants to determine what rates they have been setting for properties under their management such as the Ferry Building, Pier 1 and Piers 1½-3-5.
3. *Third party consultant review:* The Port again has contracted with Keyser Marston Associates (KMA), a third party consultant, to review the proposed Rental Rate Schedule for Fiscal Year 2015-16. KMA gave input to the proposed Schedule and submitted a report summarizing their work (see Exhibit G). In general, KMA concurred with Port staff's minimum office rent and minimum industrial/warehouse rent recommendations. However, they noted several factors put "downward pressure on the Port's rents" such as the Port assets' "more advanced age and less optimal physical condition" and the Port's "limited ability to fund up front tenant improvement costs." Additionally, KMA and Port staff had a thorough discussion of parking rates to determine whether the Port staff's parking rate recommendations were too aggressive. Ultimately, as noted in their report, KMA agreed with the Port's parking rate recommendations.

Port Office Space

The Port directly manages approximately 330,000 s.f. of Class B and Class C office space. While there is Class A office space within the Port's portfolio, it is managed by master tenants such as Equity Office Partners (Ferry Building), Prologis (Pier 1) and San Francisco Waterfront Properties (Piers 1½-3-5). The Port does not manage directly any Class A office space so none is subject to the Rental Rate Schedule.

Location is the key driver of office space value thus office leases are often defined by neighborhood when listed, rather than by building features. An office tower in San Francisco's Financial District will be prized for its superior access, prestigious corporate address, and proximity to neighborhood amenities like fine dining and business services. Similarly, the Port's key office space has water views and is close to Market Street and its amenities.

The majority of Port-managed office spaces primarily fall into the Class C category of office space with the exception of 7 properties that are considered Class B. The Port's directly managed office holdings are as follows:

Building Class	Name of Building	Location
Class A	None	
Class B	Roundhouse Plaza	2 Lombard Street
	Pier 9 Bulkhead Bldg.	@ Broadway
	Pier 9 Pier Offices	@ at Broadway
	Pier 26 Annex	@ Harrison Street
	Pier 33 ½ North	@ Montgomery Street
	Pier 33 Bulkhead Bldg.	@ Montgomery Street
	Pier 35 Bulkhead Bldg.	@ Bay Street
Class C	Agriculture Building	@ Mission Street
	401 Terry Francois	Terry Francois Blvd.
	Piers 23 Bulkhead Bldgs.	@ Sansome Street
	Pier 29 Annex Bldg.	@ Battery Street
	Pier 29 ½	@ Battery Street
	490 Jefferson St.	Jefferson St @ Leavenworth
	Piers 26 Bulkhead Bldg.	@ Harrison Street
	Pier 28 Bulkhead Bldg.	@ Bryant Street
	Piers 50 Bulkhead Bldg.	Terry Francois Blvd.
	Pier 54 Office	Terry Francois Blvd.
	Pier 70, Building 11	Foot of 20 th Street
	671 Illinois Street	Illinois Street @ Mariposa
	501 Cesar Chavez	Foot of Cesar Chavez St
	601 Cesar Chavez	Cesar Chavez @ Illinois St
	696 Amador	Amador and Cargo Way
	Pier 96 Admin. Bldg.	Foot of Cargo Way
	Pier 96 Gate House Bldg.	Foot of Cargo Way

Class A • In general, the definition of Class A space refers to the best of the best. Class A office space is located in newer buildings with state-of-the-art infrastructure. On occasion it may be located in older buildings that have been extensively renovated such as Pier 1 and the Ferry Building. Class A buildings are located in prime locations, generally the San Francisco Central Business District (aka Financial District) with good access and are professionally managed.

Class B • The Port manages approximately 150,000 s.f. of Class B office space (7 locations). By industry definition, Class B spaces are often older and require renovation and improvements. These spaces are usually well-maintained and well-managed, but infrastructure may need some capital investment to keep them functional. The average rates throughout San Francisco for Class B full service leases range from \$3.50 to \$5.43 per square foot per month (\$41.95 to \$65.11 annualized). (Source: Jones Lang LaSalle First Quarter 2015). Port staff proposes to raise rates on all 7 of the Port's Class B properties. As noted on Exhibit A hereto, Port staff proposes rates ranging from \$3.00 to \$4.50 per square foot per month (\$36.00-\$54.00 psf annualized) for the Port's 7 Class B properties. Note that the Port leases are net leases rather than full service leases as discussed below. Cushman and Wakefield estimates that average expenses of a net lease

are \$11.60 per square foot which, when added to the Port's proposed rates, would equate to \$47.60-\$65.60 if the leases were full service.

Class C • The Port manages approximately 180,000 s.f. of Class C office space (17 locations). By industry definition, Class C spaces are older (usually 15-25 years), poorly located, and often in need of extensive renovation and updates to out-of-date infrastructure. They usually have lower rental rates to compensate for the lower quality office space. Class C spaces often are vacant longer than higher-classed spaces, and can be targeted for redevelopment opportunities. A fair number of the Class C office spaces in the Port's inventory are not truly office buildings but rather walk-up office spaces above retail or service businesses. San Francisco Class C office rents as of 1Q 2015 averaged \$4.25 per square foot per month (\$51.04 psf annualized). Note that the majority of the San Francisco Class C leases are full service leases. (*Source: Jones Lang LaSalle First Quarter 2015*). As noted on Exhibit A hereto, Port staff proposes rates from \$1.00 to \$3.75 per square foot per month (\$12.00-\$45.00 psf annualized) for the Port's 17 Class C properties. The lower range rates represent Port properties located in the Southern Waterfront further away from downtown and other amenities. Market comparables for Class C office leases in this sector of the City are difficult to find and are not well represented by the published rates surveyed by Port staff. Additionally, Port leases are net leases rather than full service leases as discussed below. Cushman and Wakefield estimates that average expenses of a net lease are \$11.60 per square foot which, when added to the Port's proposed rates, would equate to \$23.60-\$56.60 if the leases were full service.

As noted above, the commercially available data surveyed by Port staff is based on (1) "full service office leases"⁴ not net leases, like those of the Port and (2) represent market "asking rates"⁵ not the final contract rates, which are often lower. For the most part, the difference between a full service lease and a net lease is approximately \$1.00 per square foot per month based on the cost of the underlying services.

The table below, provided by Jones Lang LaSalle IP, gives a snap shot of rental markets broken out by Class type and by geographical area as of First Quarter, 2015.

⁴ Under a Full Service Lease, the Landlord provides all building outgoing costs including janitorial, utilities, maintenance and repairs, and security. Under a Net Lease, the tenant is responsible for these items in addition to payment of rent. The Port's Rental Rate Schedule consists of net lease rates.

⁵ Asking Rate is the quoted rental rate before taking into account incentives or increases and is not the final contract rate. Effective Rent is the rental rate averaged out over the term of the lease and giving consideration for rent free periods or up-front incentives such as a tenant improvement allowance, wall and floor coverings, or a free rent period. The Port's Rental Rate Schedule consists of Effective Rental Rates.

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average asking rent (\$ p.s.f.)	YTD completions (s.f.)	Under Construction (s.f.)
North Financial District	Totals	27,180,013	106,837	106,837	0.4%	8.8%	10.4%	\$66.09	0	365,500
South Financial District	Totals	24,050,146	210,488	210,488	0.9%	9.5%	10.5%	\$66.62	451,000	2,288,705
CBD	Totals	51,230,159	317,325	317,325	0.6%	9.1%	10.4%	\$66.34	451,000	2,654,205
Jackson Square	Totals	1,321,255	22,923	22,923	1.7%	5.3%	6.3%	\$50.71	0	0
Mid-Market	Totals	4,261,965	125,827	125,827	3.0%	11.9%	14.6%	\$53.29	0	0
Mission Bay/China Basin	Totals	2,478,392	-6,069	-6,069	-0.2%	4.2%	4.3%	\$76.93	0	0
North Waterfront	Totals	3,443,129	17,435	17,435	0.5%	5.7%	6.1%	\$54.03	0	0
Showplace Square	Totals	2,065,179	-46,032	-46,032	-1.7%	7.6%	9.6%	\$56.49	0	0
South of Market	Totals	5,503,217	-24,992	-24,992	-0.5%	6.0%	8.8%	\$63.49	0	480,000
Union Square	Totals	3,043,351	-45,673	-45,673	-1.5%	6.6%	7.4%	\$51.37	0	0
Van Ness Corridor	Totals	697,294	21,190	21,190	3.0%	9.5%	9.5%	\$47.03	0	0
Non-CBD	Totals	23,413,782	64,509	64,509	0.3%	7.2%	8.8%	\$60.25	0	480,000
San Francisco	Totals	74,643,941	381,934	381,934	0.5%	8.5%	9.9%	\$65.15	451,000	3,134,205
North Financial District	A	21,399,983	6,585	6,585	0.0%	9.3%	11.3%	\$68.65	0	365,500
South Financial District	A	20,285,097	57,305	57,305	0.3%	9.6%	10.6%	\$67.88	451,000	2,288,705
CBD	A	41,685,080	63,890	63,890	0.2%	9.4%	11.1%	\$68.28	451,000	2,654,205
Jackson Square	A	382,055	-9,826	-9,826	-2.6%	9.0%	10.3%	\$54.81	0	0
Mid-Market	A	2,711,328	51,099	51,099	1.9%	13.9%	17.7%	\$54.69	0	0
Mission Bay/China Basin	A	2,478,392	-6,069	-6,069	-0.2%	4.2%	4.3%	\$76.93	0	0
North Waterfront	A	1,831,564	22,112	22,112	1.2%	2.1%	2.6%	\$57.01	0	0
Showplace Square	A	1,225,357	-9,335	-9,335	-0.8%	7.3%	10.2%	\$56.49	0	0
South of Market	A	1,455,817	-9,075	-9,075	-0.6%	0.0%	4.7%	N/A	0	480,000
Union Square	A	213,125	0	0	0.0%	0.0%	0.0%	N/A	0	0
Van Ness Corridor	A	375,485	-3,403	-3,403	-0.9%	10.3%	10.3%	\$54.79	0	0
Non-CBD	A	10,673,123	35,503	35,503	0.3%	6.4%	8.5%	\$64.85	0	480,000
San Francisco	A	52,358,203	99,393	99,393	0.2%	8.8%	10.5%	\$67.85	451,000	3,134,205
North Financial District	B	5,398,193	94,929	94,929	1.8%	7.2%	7.6%	\$57.56	0	0
South Financial District	B	3,299,060	161,285	161,285	4.9%	9.8%	10.2%	\$63.43	0	0
CBD	B	8,697,253	256,214	256,214	2.9%	8.2%	8.6%	\$59.63	0	0
Jackson Square	B	939,200	32,749	32,749	3.5%	3.8%	4.7%	\$46.74	0	0
Mid-Market	B	1,355,866	49,928	49,928	3.7%	8.8%	9.8%	\$53.48	0	0
North Waterfront	B	1,448,720	2,052	2,052	0.1%	9.7%	10.1%	\$53.74	0	0
Showplace Square	B	1,330,369	-36,697	-36,697	-2.8%	8.4%	9.8%	N/A	0	0
South of Market	B	3,696,459	-17,225	-17,225	-0.5%	7.6%	10.2%	\$65.11	0	0
Union Square	B	2,470,067	-19,941	-19,941	-0.8%	7.0%	7.5%	\$49.79	0	0
Van Ness Corridor	B	321,809	24,593	24,593	7.6%	8.7%	8.7%	\$41.95	0	0
Non-CBD	B	11,562,490	35,459	35,459	0.3%	7.5%	9.0%	\$57.06	0	0
San Francisco	B	20,259,743	291,673	291,673	1.4%	8.0%	8.8%	\$58.67	0	0
North Financial District	C	381,837	5,323	5,323	0.014	1.1%	2.0%	\$50.21	0	0
South Financial District	C	465,989	-8,102	-8,102	-1.7%	4.1%	5.40%	\$53.42	0	0
CBD	C	847,826	-2,779	-2,779	-0.3%	2.7%	3.90%	\$53.65	0	0
Mid-Market	C	194,771	24,800	24,800	12.7%	5.1%	5.1%	\$47.95	0	0
North Waterfront	C	162,845	-6,729	-6,729	-4.1%	10.6%	10.6%	\$43.74	0	0
Showplace Square	C	109,453	0	0	0.0%	0.0%	0.0%	N/A	0	0
South of Market	C	350,941	1,308	1,308	0.4%	11.0%	11.0%	\$52.60	0	0
Union Square	C	360,159	-25,732	-25,732	-7.1%	7.8%	10.9%	\$55.74	0	0
Non-CBD	C	1,178,169	-6,353	-6,353	-0.5%	8.0%	8.90%	\$51.04	0	0
San Francisco	C	2,025,995	-9,132	-9,132	-0.5%	5.8%	6.80%	\$52.50	0	0

Source: Jones Lange LaSalle 1Q2015

Port Industrial and Warehouse Space

The Port directly manages approximately 1,368,215 s.f. of industrial and warehouse space. In total the Bay Area has approximately 159 million square feet of warehouse rental space along the East Bay I-80/880 Corridor and in Santa Clara, San Mateo and San Francisco Counties. The East Bay is the largest home to industrial/warehouse space and San Francisco County the smallest, representing approximately 12% of the total Bay Area warehouse rental space. The San Francisco industrial market has approximately 19.3 million square feet located in three major submarkets:

- i. Mission/South of Market (SOMA)
- ii. 3rd Street Corridor/Potrero Hill and
- iii. Bayview/India Basin

More than three quarters of San Francisco's warehouse space is located in the Mission/SOMA and 3rd Street Corridor/Potrero Hill areas. (Source: DMZ formerly Cassidy Turley 1Q 2015 Warehouse Market Bay Area)

The San Francisco-Bay Area industrial and warehouse vacancy rate dropped to 2.6% in 1Q 2015 (from 6.3% 1Q2014). Average asking rents vary by submarket from \$0.60 to \$1.11 per square foot per month, on a full service basis. (Source: DTZ Bay Area Warehouse Report 1Q 2015 & Port of San Francisco Lease Activity April 1, 2014 to March 31, 2015, Exhibit E)

The majority of Port warehouses are categorized as Class C. The Port's industrial properties have various levels of improvements including partitions, fencing, electrical service, plumbing, etc. These industrial/warehouse spaces are typically leased under "net" leases with space defined as "gross leasable area." The majority of these spaces lack loading docks, attached office space and non-permeable concrete floors, and they share a common drive aisle. Despite the limited infrastructure, the Port has been able to negotiate rental rates comparable to those of private landlords that have more amenities. This is due in large part to the close proximity of the Port's warehouse space to the City's financial and social center. During the previous twelve months, Port warehouse rates have averaged \$1.00 to \$1.25 per square foot (\$12 to \$15 annualized). These rates are higher than current comparable rental market conditions as shown below.

<u>Industrial & Warehouse Rental Rate Per Square Foot</u>			
<u>SF Monthly</u>	<u>SF Annual</u>	<u>Port Monthly</u>	<u>Port Annual</u>
\$1.10	\$13.20	\$1.25	\$15.00

Demand for Port warehouse and industrial space has strengthened through 1Q 2015. During the prior reporting period, 1Q 2014, the Port's industrial and warehouse vacancy was 0.3%. The Port's current warehouse vacancy rate has increased to 9.4%. The large increase in warehouse vacancy is due to the termination of the America's Cup at Piers 19, 19½ and 23 which have taken longer to re-permit than planned. However, these properties should be permitted for new leasing in the coming months. Port staff proposes to raise rates on 22 of the Port's 27 industrial and warehouse properties and hold rates flat on the remaining 5 properties due to either their poor condition or their unique support of the Port's fishing industry.

Rental Rates for Existing Pier 40 Shed Tenants

The Successor Agency to the San Francisco Redevelopment Agency (SFRDA), known as the Office of Community Investment and Infrastructure (OCII), and Port staff have negotiated a Memorandum of Agreement (MOA) to transfer SFRDA assets and operations on Port lands in Rincon-South Beach Redevelopment Plan project area back to the Port. The transfer is anticipated to be complete by mid-summer. One of the assets is Pier 40 located adjacent to the South Beach Harbor. There are currently six existing tenants at Pier 40, all of which are on outdated month-to-month SFRDA agreements. Following the completion of the transfer of assets from OCII to the Port, Port staff will negotiate new leases with the existing tenants. These tenants will be subject to all Port standard leasing policies and procedures, which include payment of market rent pursuant to the Port's Rental Rate Schedule.

The Port's proposed rental rate for the Pier 40 Shed is \$1.00 per square foot per month. Port staff notes that for the existing long time tenants whose rents have not been raised in many years, a sudden increase to this market rate may create a hardship. Port staff recommends that, for these existing tenants only, a rate schedule with gradually tiered increases should be adopted. Staff proposes an initial rate for the first year to be \$0.75 per square foot per month. The rate for the second year would increase to \$0.85 and for the third year an increase to \$1.00. The lease would be subject to fixed annual increases of 3% thereafter. All new prospective tenants will be subject to the then current market rates as set in the Rental Rate Schedule.

Pier 40 Storage Lockers

There are 20 existing storage lockers being used by the Pier 40 boat slip holders. The current rent is \$20.00 per month. Port staff recommends an increase to \$25.00 per month.

Monthly Rental Rate Schedule

The proposed Rental Rate Schedule, attached hereto as Exhibit A, is presented for Port Commission review and consideration. It is attached hereto as Exhibit A. The Rental Rate Schedule is a minimum rental schedule and gives Port staff authority to negotiate higher rates or the flexibility to quote rates in the mid-range or lower range of the Rental Rate Schedule when justified, for properties that may be physically sub-standard or oddly configured.

The proposed Rental Rate Schedule lists all commercial properties and their associated Minimum Initial Rental Rates and Net Effective Rental Rates (see below). The Rental Rate Schedule is organized first by type of use and lease type (full vs net) and second by property/geographical location.

For each property the Rental Rate Schedule provides a range of rents on a gross basis and a net effective basis. The gross basis, entitled *Minimum Initial Lease Rental Rates*, represents the market rent range for the first year of the lease. The net effective basis, entitled *Minimum Net Effective Rental Rates*, represents the net effective rent calculated and applied over the lease term after rent credits for flooring and wall coverings are amortized over the term of the lease. The Port Commission has previously approved application of rent credits for flooring and wall coverings. Port staff has the authority to

issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease falling below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. For example, for office space at the Roundhouse Plaza in the northern waterfront, the proposed Minimum Initial Lease Rental Rate range is \$3.50- \$4.00 per square foot, per month and the proposed Minimum Net Effective Rental Rate range is \$3.25-3.75 per square foot per month. Allowances for paint (set by the Port Commission in June 2010) may be made up to a maximum of \$3.50 per square foot. Allowances for floor covering, up to a maximum of \$5.00 per square foot (approved July 2012), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered “landlord’s work”; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.

Port leases are annually indexed by either the Consumer Price Index (CPI) or fixed rate adjustments currently ranging from 2.5% to 3.5%. Most of the Port’s leases provide for a “mark to market” adjustment on an extension or option date. Most also provide for a “mark to market” adjustment upon expiration if they go to month-to-month holdover status while a new lease or a termination is negotiated.

Proposed Changes to Rental Rate Schedule for Fiscal Year 2015-16

Given Port staff’s market research, the Port’s own leasing experience and the overview by KMA, Port staff recommends adjustment of the minimum rental rates averaging 10% to 13% for the majority Port properties to better reflect current market conditions. Port staff proposes changes to the current Rental Rate Schedule for certain office and industrial shed space as follows.

1. The following office properties are currently in high demand and are experiencing limited vacancy rates. Staff recommends revising minimum monthly rents for these locations in recognition of demand and limited vacancy at these locations.

Port Office Class B Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Roundhouse Plaza	\$3.25	\$3 50

As illustrated in the previous table titled “San Francisco Sub-Office Markets” above, prepared by Jones Lang LaSalle, equivalent gross lease class B office rates in the adjacent area to the Roundhouse Facility are:

Class B San Francisco Non-Commercial Business District Gross Lease	B	Monthly Average \$4.76	Annual average \$57.06
Jackson Square	B	\$3.90	\$46.74
North Waterfront	B	\$4.48	\$53.74

Port Office Class B Net Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 9 Bulkhead Bldg.	\$3.20	\$3.80
b)	Pier 9 office	\$3.00	\$3.80
c)	Pier 26 Annex. Bld.	\$2.75	\$3.00
d)	Pier 33 Bulkhead Bldg.	\$2.50	\$3.00
e)	Pier 35 Bulkhead Bldg.	\$2.75	\$3.00

On average, net lease rates are \$1.25-\$1.50 per square foot per month less than equivalent gross leases. Adjusted net lease rates for Class B office space in the same geographic area as those listed above, published by Jones Lang LaSalle are:

Class B San Francisco Non-CBD Net Lease	B	Monthly Average	Annual average
Jackson Square	B	\$3.51	\$42.12
North Waterfront	B	\$2.65	\$31.80
	B	\$3.23	\$38.76

Port Office Class C Net

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Agriculture Building	\$2.40	\$3.25
b)	Pier 29½	n/a	\$2.25
c)	Pier 23 Bulkhead	\$2.00	\$2.50
d)	401 Terry Francois	\$2.60	\$3.30
d)	Pier 26 Bulkhead	\$2.00	\$2.25
f)	Pier 28 Bulkhead	\$2.00	\$2.25
g)	490 Jefferson Street	\$2.00	\$3.50
h)	Pier 50 Bulkhead Bldg.	\$2.25	\$2.75
i)	601 Cesar Chavez	\$1.50	\$1.65

On average, net lease rates are \$1.25 per square foot per month less than equivalent gross leases. Adjusted net lease rates for Class C office space in the same geographic area as those listed above, published by Jones Lang LaSalle are:

Class C San Francisco Non-Commercial Business District Lease	C	Monthly Average	Annual average
North Waterfront - Net	C	\$2.93	\$35.16

- As illustrated above, DMZ formerly Cassidy Turley reported industrial/warehouse rates for 1Q 2015 in San Francisco as \$1.11 per square foot per month. Because of increased demand on these properties, Port staff recommends revising minimum monthly rents for the following Port industrial/warehouse locations:

Pier Shed and Land:

Northeast Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 33-35	\$1.00	\$1.10
b)	Pier 9	\$1.35	\$1.50
c)	Pier 19	\$1.25	\$1.35
d)	Pier 23	\$1.25	\$1.35
e)	Pier 29	\$1.25	\$1.50
f)	Pier 31	n/a	\$1.25

South Beach/China Basin

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 24 Annex	\$3.00	\$3.25
b)	Piers 26-28	\$1.00	\$1.35
c)	Pier 40	\$1.00	\$1.35
d)	Pier 48	\$1.25	\$1.35
e)	Pier 50	\$1.25	\$1.35

Southern Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	SWLs 343 & 354	\$0.90	\$1.00
b)	SWL 345	\$0.90	\$1.00
c)	Pier 92 & SWLs 344 & 349	\$0.90	\$0.95
d)	699 Illinois	\$0.85	\$1.00
e)	Pier 96 M&R	\$0.90	\$1.00
f)	Facility 6019	\$0.55	\$0.75

Open Land and Pier Uses

Port staff recommends amending paved land lease rates. Staff believes the rate should be increased to reflect strong demand.

Industrial Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Unpaved Land	\$0.28	\$0.30
b)	Paved Land	\$0.30	\$0.40
c)	Improved Land	\$0.40	\$0.80
d)	Submerged Land	\$0.16	\$0.17

3. The rental rates at Pier 45 Fish Processing Center were last adjusted in 2014. Port staff recommends adjustments in the following rate categories to better reflect current market conditions in the fishing industry.

Fishing Industry Pier Shed and Land

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 45 Sheds	\$0.95	\$1.00
b)	Aprons	\$0.25	\$0.35
c)	Fishing Gear Storage	\$0.30	\$0.35
c)	Fish Gear Storage Non-Berth Holders	\$0.60	\$0.80

(Research sources: Port of San Francisco, Santa Cruz Harbor, Pilar Point Harbor, Spud Point Harbor, Morro Bay Harbor, Crescent City Harbor 2015)

Telecommunications Leases

The Port may enter into leases for telecommunication sites (wireless cellular sites) for up to nine years without Port Commission approval (Resolution No. 96-123). The Port Commission's initial approved rate was \$1,600 per month. The current rate has increased 19% per year or 350% over the initial rate. Based on recent transactions, Port staff is recommending a minimum rental rate of \$5,700.00 per month for each fixed site and \$380.00 per day for temporary sites for up to sixty-days.

Parking

The Port operates a number of parking facilities where the Port leases individual parking stalls on a monthly basis totaling 353 stalls (a reduction of 21 stalls over the same period last year) with annual revenues of \$475,778 for the 12 month period from April 1, 2014 to April 1, 2015, (decrease of approximately 8.7% due to the transfer of monthly parking stalls at Pier 45 and wharf J3 to our parking lot operator in April 2014.) The majority of the stall holders are Port tenants. A map is attached as Exhibit F1 that shows the location of those facilities at which the Port currently offers monthly parking. The Port's current vacancy rate is 18%. In the same period last fiscal year the vacancy rate was 13%. The increased vacancy is due in part to the high vacancy rate at the employee parking area at SWL 324, 38%; the Agriculture Building Parking, 37.5%; and Pier 96, 19%.

The Port Commission approved the Fiscal Year 2014-15 Monthly Parking Stall Rate Schedule as part of its approval on June 10, 2014 of the Rental Rate Schedule. Since last year's parking stall rate review, the parking market has experienced improvement. Port staff recently conducted a survey of comparable parking facilities in the vicinity of Port property where the Port rents monthly parking stalls, attached hereto as Exhibit F2. The survey determined that the monthly parking stall rates for Port facilities are generally slightly under market. Staff proposes increasing parking rates by an average of 5% to better reflect current market conditions. Please note that the parking rates in this report do not include any City parking tax, currently 25%, which is paid by the stall holder and remitted to the City Tax Collector.

Proposed Changes to FY 2015-16 Monthly Parking Rate Schedule

Site	Parking Type	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Agriculture Bldg.	Building Tenant	\$328	\$410	\$328	\$410	\$00
Pier 9	Shed	\$288	\$360	\$304	\$380	\$20
Seawall Lot 302	Commercial Tenant	\$268	\$335	\$280	\$350	\$15
	Restaurant Tenant	\$164	\$205	\$176	\$220	\$15
Seawall Lot 302	Commercial Tenant	\$256	\$320	\$272	\$340	\$20
	Restaurant Tenant	\$164	\$205	\$176	\$220	\$15
Pier 80	Admin Bldg., Uncovered	\$32	\$40	\$36	\$45	\$5
	Truck	\$128	\$160	\$136	\$170	\$10
Pier 90	Truck	\$130	\$163	\$140	\$175	\$12
Pier 94	Truck	\$128	\$160	\$128	\$160	\$00
Pier 96	Truck	\$128	\$160	\$128	\$160	\$00

The Port makes available parking stalls, at cost, for its employees' vehicles. The parking lot operator at SWL 324 (Broadway lot) is required to provide 40 parking spaces at SWL 324 for Port employees at no cost to the Port. The Port has converted 25 underutilized metered spaces on Davis Street for Port employee parking.

Proposed Port Employees Monthly Parking Rate for FY 2015-16

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Seawall Lot 351	Port Commissioner	\$140	\$175	\$140	\$175	\$0
	Employees who have been granted a reasonable accommodation under the Americans with Disabilities Act	\$62.4*	\$78*	\$64.4*	\$80*	\$2
Seawall Lot 324	Employees assigned to Pier 1; parking available for one employee vehicle used for commuting	\$62.4*	\$78*	\$64.4*	\$80*	\$2
Pier 50 or at jobsite	Employees assigned to Pier 50 or whose collective bargaining agreement allows for free parking; one automobile space for	\$0	\$0	\$0	\$0	\$0

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
	vehicle used by the employee for commuting (no boats, trailers, three-axle vehicles, etc.)					

**As per City policy, the rate is equivalent to the cost of a MUNI monthly pass plus \$10. It will be adjusted correspondingly to future MUNI monthly pass increases. Current cost of MUNI monthly pass is \$70.00*

Parking, Color Curb Program

The Port has a long-standing policy of charging for parking, including curb zones, throughout the waterfront. Due to the emerging neighborhoods in the Southern Waterfront, the Port established guidelines and pricing for colored curbs in the Southern Waterfront. Color Curb Zones in the Northern Waterfront and in front of the Ferry Building were established some time ago and continue to be reviewed by the Port on a case-by-case basis. Tenants and non-tenants whose sidewalks/curbs abut Port property may make a request to have a color zone curb designated, following the color curb guidelines established by the Port Harbor Code.

The Port's methodology for determining the fee for curb zones has been to charge a monthly fee which is equivalent to a rate that the Port would otherwise expect to receive from paid parking had the equivalent curb zone been metered. The proposed curb rates represent amounts which are lower than a fully metered space with the expectation that the Port will collect some additional metered revenues from after hours and special event usage.

Parking, White Zone

As per City practice, White Zones are for passenger loading and unloading with a time limit of 5 minutes. The effective time that the white zone is in effect may vary and the Port may meter such zones for metered parking when white zones are not in use. For example, meter rates may apply on evenings and weekends when offices are closed and special events are scheduled. Posted signs and sidewalk stencils are used to indicate flex times.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
1-22 feet	\$0	\$380	\$290	\$280/mo.

Meter charges during flex time will be priced at standard meter rates for the surrounding area and will be posted accordingly.

Parking, Yellow Zones

Yellow zones are for active 30 minute freight loading and unloading only by commercial vehicles. Yellow zones are NOT intended for long-term parking of vehicles with commercial license plates. The effective times of yellow zones vary and are indicated by signs on the meter and/or by stencils on the curb. All Yellow Zones will be metered and charged at standard meter rates for the surrounding area and will be posted accordingly.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
20-44 ft.	\$0	\$400	\$0	\$0

Special Events and Filming

Special events and filming generated a combined total of \$70,419 in revenues to the Port over the past 12 months (April 2014 to March 2015). Of this amount, special events generated \$68,621 and filming \$1,798. Much of the film permitting is done by the Film Commission and those fees are retained by the Film Commission.

The Port's 7½ miles of waterfront property is a popular venue for special events and filming projects produced each year in the City. Among the most notable special events are *Fleet Week*, *4th of July Celebration and Fireworks*, *Sunday Streets*, *New Year's Eve*, *Giant's Fanfest* and *the Nike Women's Marathon*.

Additionally, a number of major motion pictures and television series have been produced on Port property including Danny Boyle's "*Steve Jobs*", Brad Peyton's "*San Andreas*", and Tim Burton's, "*Big Eyes*".

The Port is also very popular with advertisers that account for the majority of still photo shoots that occur at the Port. From elegant fashion and auto ads located at Pier 7 to the more urban industrial projects shot in the Southern Waterfront, the Port offers a variety of locations sought after by creative photographers.

In order to standardize film and photography related fees charged for various Port facilities, Port staff has established a Special Event and Filming Fee Schedule. The schedule is reviewed annually to reflect current market conditions and submitted to the Port Commission for re-approval.

There are several recurring Special Events/Uses that have a strong maritime or community connection to the Port of San Francisco and customarily have been given either a fee waiver or fee reduction by the Port Commission on an ad hoc basis. In order to streamline the administrative process and costs associated with preparing individual Port Commission Agenda Items for each event, the Port Commission typically approves the recommended fees for these events as part of its approval of the Rental Rate Schedule:

1. Proposed Fee Waiver: *4th of July Celebration; Fleet Week; City's New Year's Eve Celebration; Madonna Del Lume; Delancey Street Flower Sale; and Super Bowl 50 Celebration.*
2. Ongoing Fee Reductions: *Small Boat Fishing Gear Swap Meet, \$300 versus \$2,000; and Delancey Street Christmas Tree Lot, \$3,528 versus \$7,055.*

The methodology for deriving the fees described in the Special Events and Filming Fee Schedule is a combination of market research, continuous dialog with special events promoters and the Port's own experience at negotiating fees.

Public Art

The Port has become an attractive venue for significant public art installations. Notably Pier 14 now has its 4th temporary installation since opening in 2006. The Bayview Rise sculpture on the silos at Pier 90 has brought attention to the Southern Waterfront. Port staff is currently working with the Arts Commission for a permanent installation at the soon to be opened Bayview Gateway park.

Public Art generally has enjoyed positive public comments and has attracted more visitors to the waterfront and to other waterfront uses. For most installations the Port enters into a License with the sponsoring group or a Memorandum of Understanding (MOU) with the Arts Commission, but does not charge a fee for use of Port property. Typically there are no other uses for the space during the term of these licenses that would generate rent to the Port and no other uses would be displaced. The Port will not be expending any resources or revenues to support this use, and there is a direct benefit to the Port in that Public Art will enliven the waterfront, attracting persons to the waterfront and enhancing their experience of the waterfront. To facilitate future installations the Port staff proposed that the Port Commission authorize the Port Executive Director to waive the License fee for public art installations at Pier 14 meeting these criteria. As such, Port staff proposes hence forth to include Public Art as a waivable fee in the Port Commission's annual adoption of rates.

Proposed FY 2015-16 Special Event And Filming Rate Schedule

Port staff recommends increases to the FY 2015-16 Special Event and Filming Rate Schedule, which is listed on Exhibit C.

Next Steps

Port staff presents the proposed Rental Rate Schedule for FY 2015-16 (Exhibit A) for review, comment and consideration by the Port Commission and the public. Port staff will incorporate any additional comments/considerations into the proposed Rental Rate Schedule. Port staff proposes to seek Port Commission approval of the Rental Rate Schedule for FY 2015-16 at the Port Commission's Special Meeting on June 23, 2015.

Prepared by: Jeffrey A. Bauer, Senior Leasing Manager

For: Susan Reynolds, Director of Real Estate

ATTACHMENTS

Exhibit A	<i>Proposed 2015-2016 Minimum Monthly Rental Rate Schedule</i>
Exhibit B	2014-2015 Minimum Monthly Rental Rate Schedule
Exhibit C	2015-2016 Special Events and Filming Fee Schedule
Exhibit D	Bibliography of Market Research Sources
Exhibit E	Office, Bulkhead Office and Pier Shed Vacancy Rate
Exhibit F1	Parking Facilities Located in the Vicinity
Exhibit F2	Parking Facilities Located in the Vicinity
Exhibit G	Keyser Marston Memorandum 2015
Exhibit H	Port Leasing Policies
Exhibit I	Port Active Office and Warehouse Rental Transactions

2015-16 MINIMUM MONTHLY RENTAL RATE SCHEDULE

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>	<u>CLASS B</u>		
	Roundhouse Plaza	\$3.50 - \$4.00	\$3.25 - \$3.75
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$3.25 - \$3.75	\$3.00 - \$3.50
	Interior Office	\$1.50 - \$2.00	\$1.25 - \$1.75
	401 Terry Francois	\$3.30 - \$3.75	\$3.60 - \$3.50
<u>NET LEASES:</u>			
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.80 - \$4.50	\$3.50 - \$4.00
	Pier 9 Pier Offices	\$3.80 - \$4.50	\$3.50 - \$4.00
	Pier 26 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 33 ½ North	\$3.00 - \$3.25	\$2.25 - \$2.75
	Pier 33 Bulkhead Bldg.	\$3.00 - \$3.25	\$2.75 - \$3.00
	Pier 35 Bulkhead Bldg.	\$3.00 - \$3.25	\$2.50 - \$3.00
	<u>CLASS C</u>		
	Piers 23 Bulkhead Bldgs.	\$2.50 - \$2.75	\$2.25 - \$2.50
	Pier 29 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 29 ½	\$2.25 - \$2.50	\$2.00 - \$2.25
	Pier 35 Interior office	\$2.00 - \$2.25	\$1.50 - \$1.75
	490 Jefferson St.	\$3.50 - \$3.75	\$3.25 - \$3.50
	Piers 26 Bulkhead Bldg.	\$2.25 - \$2.75	\$2.00 - \$2.50
	Pier 28 Bulkhead Bldg.	\$2.25 - \$2.75	\$2.00 - \$2.50
	Piers 50 Bulkhead Bldg.	\$2.75 - \$3.25	\$2.50 - \$3.00
	Pier 54 Office	\$1.60 - \$1.75	\$1.40 - \$1.50
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.65 - \$1.75	\$1.50 - \$1.50
	696 Amador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
<u>OFFICE STORAGE</u>	All Facilities	\$1.65 - \$2.00	\$1.65 - \$2.00

Exhibit A

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>INDUSTRIAL SHED USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
	<u>NORTHEAST WATERFRONT</u>		
	Pier 9	\$1.50 - \$2.00	\$1.25 - \$1.70
	Pier 33, 35, 45	\$1.10 - \$1.25	\$1.00 - \$1.15
	Pier 31	\$1.25 - \$1.50	\$1.10 - \$1.25
	Pier 19	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 23	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 29	\$1.50 - \$1.75	\$1.25 - \$1.25
	Pier 47 shed storage	\$0.75 - \$1.00	\$0.70 - \$0.90
	<u>SOUTH BEACH/CHINA BASIN</u>		
	Pier 24 Annex	\$3.25 - \$3.50	\$3.00 - \$3.25
	Piers 26-28	\$1.35 - \$2.00	\$1.35 - \$2.00
	Pier 40	\$1.35 - \$2.00	\$1.35 - \$2.00
	Piers 48	\$1.35 - \$2.00	\$1.35 - \$2.00
	Pier 50	\$1.35 - \$2.00	\$1.35 - \$2.00
	Pier 54 Shed	\$0.70 - \$0.70	\$1.35 - \$2.00
	<u>SOUTHERN WATERFRONT</u>		
	SWLs 343 & 354	\$1.00 - \$1.25	\$0.80 - \$1.00
	SWL 345	\$1.00 - \$1.25	\$0.85 - \$1.00
	699 Illinois	\$1.00 - \$1.25	\$0.95 - \$1.10
	Facility 6019	\$0.75 - \$0.75	\$0.75 - \$0.75
	Pier 80	\$0.95 - \$1.10	\$0.95 - \$0.95
	Pier 92 & SWLs 344 & 349	\$0.95 - \$1.10	\$0.85 - \$0.85
	Pier 96 M & R	\$1.00 - \$1.50	\$0.95 - \$1.00
<u>OPEN LAND AND PIER SPACE USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>UNPAVED LAND</u>		
"PORT STANDARD NET LEASE"		\$0.30 - \$0.50	\$0.30 - \$0.50
	<u>PAVED LAND</u>		
		\$0.40 - \$0.60	\$0.40 - \$0.60
	<u>IMPROVED LAND</u>		
		\$0.80 - \$1.00	\$0.35 - \$0.40
	<u>SUBMERGED LAND</u>		
		\$0.17 - \$0.17	\$0.17 - \$0.17
	Aprons/Open Pier	\$0.35 - \$0.50	\$0.35 - \$0.50

Exhibit A

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft. *</u>
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FISHING INDUSTRY USES:

INDUSTRIAL GROSS LEASES:

**FISH WHOLESALING &
PROCESSING SPACE**

Improved Fish Processing Space

Pier 45 Sheds	\$1.00 - \$1.10	\$0.95 - \$1.00
Second floor warehouse	\$0.50 - \$0.55	\$0.45 - \$0.50
Pier 45 Office 1st fl office	\$1.20 - \$1.50	\$1.10 - \$1.50
Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.85 - \$1.25

Sheds

Pier 33	\$1.00 - \$1.10	\$0.95 - \$1.00
SWL 302 storage	\$1.00 - \$1.25	\$0.75 - \$1.00

Aprons

\$0.35 - \$0.37	\$0.35 - \$0.37
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LICENSES:

FISHING GEAR STORAGE

\$0.35 - \$0.50	\$0.35 - \$0.50
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NON-BERTH HOLDERS

\$0.80 - \$1.00	\$0.80 - \$1.00
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* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

2014-15 MINIMUM MONTHLY RENTAL RATE SCHEDULE*

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>			
	<u>CLASS B</u>		
	Roundhouse Plaza	\$3.25 - \$3.75	\$3.00 - \$3.50
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$2.40 - \$2.60	\$2.20 - \$2.40
	Interior Office	\$1.50 - \$2.00	\$0.98 - \$1.48
	401 Terry Francois	\$2.60 - \$2.75	\$2.40 - \$2.50
<u>NET LEASES:</u>			
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.20 - \$3.50	\$2.75 - \$3.30
	Pier 9 Pier Offices	\$3.00 - \$3.25	\$2.50 - \$2.75
	Pier 26 Annex Bldg.	\$2.75 - \$3.25	\$2.50 - \$3.00
	Pier 33 1/2 North	\$3.00 - \$3.25	\$2.25 - \$2.75
	Pier 33 Bulkhead Bldg.	\$2.50 - \$2.75	\$2.25 - \$2.50
	Pier 35 Bulkhead Bldg.	\$2.50 - \$2.75	\$1.75 - \$2.25
	<u>CLASS C</u>		
	Pier 9 Studio/office	\$2.50 - \$2.75	\$2.25 - \$2.50
	Piers 23 Bulkhead Bldgs.	\$2.00 - \$2.25	\$2.00 - \$2.25
	Pier 29 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 35 Interior office	\$2.00 - \$2.25	\$1.50 - \$1.75
	490 Jefferson St.	\$2.00 - \$2.25	\$1.10 - \$1.75
	Piers 26 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$1.50
	Pier 28 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$2.00
	Piers 50 Bulkhead Bldg.	\$2.25 - \$2.50	\$2.00 - \$2.25
	Pier 54 Office	\$1.60 - \$1.75	\$1.40 - \$1.50
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.50 - \$1.50	\$1.50 - \$1.50
	696 Armador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
<u>OFFICE STORAGE</u>	All Facilities	\$1.50 - \$1.50	\$1.50 - \$1.50

Exhibit B

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>INDUSTRIAL SHED USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
	<u>NORTHEAST WATERFRONT</u>		
	Pier 9	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 33, 35, 45	\$1.00 - \$1.25	\$0.85 - \$0.95
	Pier 19	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 23	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 29	\$1.25 - \$1.50	\$1.25 - \$1.25
	Pier 47 shed storage	\$0.75 - \$1.00	\$0.70 - \$0.90
	SWL 302 storage	\$1.00 - \$1.25	\$0.75 - \$1.00
	<u>SOUTH BEACH/CHINA BASIN</u>		
	Pier 24 Annex	\$3.00 - \$3.25	\$3.00 - \$3.25
	Piers 26-28	\$1.00 - \$1.25	\$0.95 - \$1.00
	Pier 40	\$1.00 - \$1.25	\$1.00 - \$1.25
	Piers 48	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 50	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 54 Shed	\$0.70 - \$0.70	\$0.70 - \$0.70
	<u>SOUTHERN WATERFRONT</u>		
	SWLs 343 & 354	\$0.90 - \$1.00	\$0.80 - \$0.85
	SWL 345	\$0.90 - \$1.00	\$0.85 - \$1.00
	699 Illinois	\$0.85 - \$1.25	
	Facility 6019	\$0.55 - \$0.55	\$0.55 - \$0.55
	Pier 80	\$0.95 - \$0.95	\$0.95 - \$0.95
	Pier 92 & SWLs 344 & 349	\$0.90 - \$0.90	\$0.85 - \$0.85
	Pier 96 M & R	\$0.90 - \$0.95	\$0.80 - \$0.75
<u>OPEN LAND AND PIER SPACE USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
<u>"PORT STANDARD NET LEASE"</u>	<u>UNPAVED LAND</u>	\$0.28 - \$0.30	\$0.25 - \$0.30
	<u>PAVED LAND</u>	\$0.30 - \$0.35	\$0.30 - \$0.35
	<u>IMPROVED LAND</u>	\$0.40 - \$0.40	\$0.35 - \$0.40
	<u>SUBMERGED LAND</u>	\$0.16 - \$0.16	\$0.16 - \$0.16
	Aprons	\$0.35 - \$0.35	\$0.35 - \$0.35

Exhibit B

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>FISHING INDUSTRY USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>FISH WHOLESALING & PROCESSING SPACE</u>		
	<u>Improved Fish Processing Space</u>		
	Pier 45 Sheds	\$0.95 - \$1.00	\$0.95 - \$1.00
	Second floor warehouse	\$0.45 - \$0.50	\$0.45 - \$0.50
	Pier 45 Office 1st fl office	\$1.10 - \$1.50	\$1.10 - \$1.50
	Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.85 - \$1.25
	<u>Sheds</u>		
	Pier 33	\$0.90 - \$0.95	\$0.90 - \$0.95
	<u>Aprons</u>	\$0.25 - \$0.25	\$0.25 - \$0.25
<u>LICENSES:</u>	<u>FISHING GEAR STORAGE</u>	\$0.30 - \$0.40	\$0.30 - \$0.40
	NON-BERTH HOLDERS	\$0.60 - \$0.65	\$0.60 - \$0.65

* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

EXHIBIT C

2015-16 FY Special Events and Filming Fee Schedule

	Rate
<u>Still Photo Shoot</u>	
Outdoor:	
Simple per day	\$1,250.00
Major per day	\$2,500.00
Indoor:	
Piers simple per day	\$1,250.00
Piers major per day	\$2,500.00
<u>Filming (Non-Film Commission)</u>	
Simple per day	\$1,250.00
Major per day	\$2,500.00
<u>Special Events</u>	
Athletic events (walk/run/bicycle) per day	\$1,250.00
Private event per day	\$2,500.00
Public event per day	\$2,500.00
<u>Pier 30/32 – Entire Pier</u>	
Private event:	
Event day	\$20,000.00
Set-up per day	\$10,000.00
Security Deposit	\$20,000.00
Paid attendees:	
Event day	\$25,000.00
Set-up per day	\$12,500.00
Security Deposit	\$25,000.00
Free admittance:	
Event day	\$15,000.00(no retail)
Set-up per day	\$ 20,000.00 (with retail)
	\$7,500.00 load in/out day
Security Deposit	\$15,000.00
Notes:	

Minor film and photo shoots are those that require very few to no support functions, i.e.; the photographer and the subject, minimal equipment, etc.

Major film and photo shoots are those that require substantial support, i.e.; film crew, props, vehicles, generators, lighting, etc.

At no time shall the fee charged for filming or a special event at a specific facility be less than the rental rate as specified under the Rental Rate Schedule for that premises.

Exhibit D: Bibliography

In researching market conditions and rates, Port staff employed the following sources of information:

Unemployment Rate: *Federal Reserve Bank, May 2015*

Office Market Summary:

1. Cushman & Wakefield First Quarter Office Report 2015
2. 2015 Q1 San Francisco Office Report Jones Lange LaSalle
3. 2015 Q1 Cornish & Carey Commercial San Francisco Office
4. 2015 Q1 Tri Commercial Real Estate San Francisco Office
5. 20015 Q1 Kidder Mathews San Francisco Office
6. Port of San Francisco Lease Activity April 1, 2014 to March 31, 2015

Industrial Market Summary:

1. DMZ formerly Cassidy Turley 1Q 2015 Warehouse Market Bay Area

Fishing Industry Pier Shed and Land:

1. Port of San Francisco
2. Santa Cruz Harbor
3. Pillar Point Harbor
4. Spud Point Harbor
5. Morro Bay Harbor
6. Crescent City Harbor

Parking:

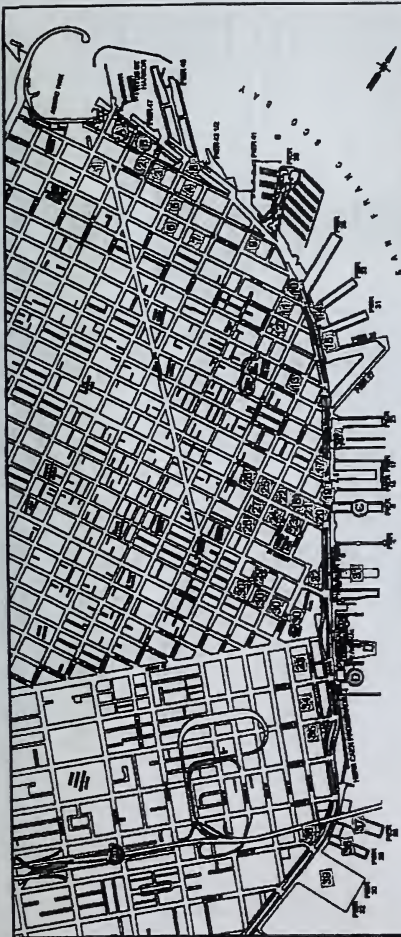
1. Parking Facilities Located In the Vicinity & Parking Facilities Located In the Vicinity

Office, Bulkhead Office and Pier Shed Vacancy Rate

<u>OFFICE</u>	As of March 2015			As of Mar 2014		
	<u>Total</u>	<u>Occupied</u>	<u>Available</u>	<u>% Vacant</u>	<u>Total</u>	<u>% Vacant</u>
RoundHouse I	20,237	20,237	0	0.0%	20,237	0.0%
RoundHouse II	25,421	25,421	0	0.0%	25,421	0.0%
Pier 29 Bellline Building 9	3,440	3,440	0	0.0%	12,406	0.0%
Ag Building	22,476	22,476	0	0.0%	22,476	0.0%
401 Terry Francois	10,764	10,764	0	0.0%	10,764	0.0%
501 Cesar Chavez	40,090	40,090	0	0.0%	23,090	42.4%
Pier 70, Bldg 11	25,154	25,154	0	0.0%	25,154	0.0%
Pier 96	18,542	15,542	3,000	16.2%	18,542	16.2%
Total Office	166,124	163,124	3,000	1.8%	175,090	11.4%
<u>BULKHEAD OFFICE</u>						
Pier 9	72,000	72,000	0	0.0%	72,000	0.0%
Pier 15 ⁴	4,084	4,084	0	0.0%	4,084	0.0%
Pier 17 ⁴	2,774	2,774	0	0.0%	2,774	0.0%
Pier 23 ^{1,3}	12,300	12,300	0	0.0%	12,300	0.0%
Pier 26 ³	18,433	18,433	0	0.0%	18,433	0.0%
Pier 28 ³	6,187	6,187	0	0.0%	6,187	0.0%
29 1/2	6,264	0	6,264	100.0%	0	0.0%
Pier 33	3,500	700	2,800	80.0%	3,500	80.0%
Pier 35	9,994	9,994	0	0.0%	9,994	0.0%
Pier 50	7,743	7,743	0	0.0%	7,743	0.0%
Pier 54 ²	3,000	3,000	0	0.0%	3,000	0.0%
Total Bulkhead Office	148,279	137,215	9,064	6.2%	140,015	2.0%

Office, Bulkhead Office and Pier Shed Vacancy Rate

<u>OVERALL OFFICE</u>		312,403	300,339	12,064	3.9%	315,105	292,305	22,800	7.2%
<u>PIER SHED</u>									
Pier 9		29,754	29,754	0	0.0%	29,754	29,754	0	0.0%
Pier 15 ⁴		0	0	0		0	0	0	
Pier 17 ⁴		0	0	0		0	0	0	
Pier 19 & 19 1/2 ^{1,3}		94,544	0	94,544	100.0%	94,544	94,544	0	0.0%
Pier 23 ^{1,3}		54,000	0	54,000	100.0%	54,000	54,000	0	0.0%
Pier 26 ⁷		94,472	94,472	0	0.0%	94,472	94,472	0	0.0%
Pier 28 ⁷		44,644	44,644	0	0.0%	44,644	44,644	0	0.0%
Pier 31		95,395	0	0	0.0%				
Pier 33		61,192	61,192	0	0.0%	61,192	61,192	0	0.0%
Pier 35		242,299	242,299	0	0.0%	242,299	242,299	0	0.0%
Pier 38 ⁵		0	0	0		0	0	0	
Pier 40		82,904	82,904	0	0.0%	82,904	82,904	0	0.0%
Pier 48		200,000	200,000	0	0.0%	200,000	200,000	0	0.0%
Pier 50		135,350	132,350	3,000	2.2%	135,350	130,350	5,000	3.7%
Pier 54 ²		20,000	20,000	0	0.0%	20,000	20,000	0	0.0%
Pier 96		400,600	400,600	0	0.0%	400,600	400,600	0	0.0%
Pier 96 M&R Building		30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Pier 80 M&R Building		30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Total Shed		1,615,154	1,368,215	151,544	9.4%	1,519,759	1,514,759	5,000	0.3%
OFFICE & SHED		1,927,557	1,688,554	163,608	8.5%	1,834,864	1,807,064	27,800	1.5%



Other Parking Facilities Located in The Vicinity

- 1 855 Beach / Leavenworth
- 2 500 Beach / Beach
- 3 273 Jones / Beach
- 4 350 Beach / Taylor
- 5 400 North Point / Taylor
- 6 405 North Point / Taylor
- 7 350 Bay / Powell
- 8 170 Jefferson
- 9 Embarcadero / Stockton
- 10 Bay / Embarcadero & Kearny
- 11 90 Francisco
- 12 66 Francisco
- 13 Sanome / Greenwich

Port-managed Parking Facilities

- A SWL 303
- B SWL 302
- C Pier 9
- O Agriculture Building

Pier 33

- 14 Pier 231/2
- 15 Pier 191/2
- 16 Green / Front
- 17 Front / Broadway
- 18 Davis / Broadway
- 19 Davis / Broadway
- 20 735 Deale / Broadway
- 21 847 Front / Broadway & Vallejo
- 22 750 Front / Broadway & Pacific
- 23 Broadway / Battery & Front
- 24 800 Sansome / Broadway
- 25 953 Sansome / Broadway & Vallejo

- 27 350 Pacific / Battery & Sansome
- 28 788 Sansome / Pacific & Jackson
- 29 250 Clay / Battery & Front
- 30 Clay / Drumm, Davis & Front
- 31 Pier 33
- 32 Embarcadero / Washington
- 33 1 Market / Spear
- 34 121 Spear / Mission & Howard
- 35 75 Howard / Stewart & Spear
- 36 1 Bryant / Embarcadero / Beale
- 37 Pier 26
- 38 Pier 26
- 39 Pier 30/32

FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING



SAN FRANCISCO PORT COMMISSION
CITY

EXHIBIT F-1

801020 14 Domestic Avenue

CONFIDENTIAL

PARKING RATES SURVEY As of May 1, 2015

Location	Operator	Phone #	Monthly Parking			Days / Week	Hour	Daily Parking	Hourly Parking	Covered / Uncovered
			Reserved	Non-Reserved	Vacancy					
1 Beach & Hyde Garage	Propark America	415-871-725	-	\$175	No	Yes	24 hrs	\$30 all day, \$40 over night	\$8 1st hr, then \$7 per hr	Covered
2 Anchorage Shopping Center Garage	Acad Parking	415-515-1598	-	\$200	Yes	Yes	7 days	\$30 all day	\$2 / 15 min	Covered
3 Fairview's Wheel Parking	Wheel Propark, Inc	415-985-4864	-	-	-	-	-	\$12 M-F, in balcon then, out by 6pm \$9.50 balcon then, out by 6pm \$29 after 10am meet all day	\$8.00/hr Weekday \$12.50/hr Weekend	Uncovered
4 Wheel Garage	Propark Parking	415-227-0114	-	\$185	Yes	Yes	7 days	\$20 max Weekday, \$25 max Weekend	-	Covered
5 Beach / Taylor & Mason	City Park	415-495-2980	-	\$175	Yes	Yes	7 days	\$12 in balcon then M-F, \$20 S-S, \$25 Holiday	-	Uncovered
6 Coast Plaza Garage	Acad Parking	415-521-4450	-	\$175	Yes	Yes	7 days	\$15 Weekday, \$20 Weekend	-	Covered
7 West Point Center Garage	Propark Parking	415-227-0114	-	\$200	Yes	Yes	7 days	\$45 for 12 hrs (10/18 - 5/15) \$30 for 12 hrs (5/16 - 10/15)	\$4/hr (10/18 - 5/15) \$5/hr (5/16 - 10/15)	Covered
8 Triangle Parking Lot	Central Parking	877-717-0004	-	-	-	-	-	\$25 Daily Max	\$12/hr	Covered & Uncovered
9 Airport System	Ampro System	415-755-5418	-	\$215	No	Yes	7 days	\$33	\$10	Uncovered
10 Bay / Embarcadero & Mason	Central Parking	877-717-0004	-	\$250	No	Yes	7 days	\$45	\$8/hr	Covered
11 180 Francisco	Propark Parking	415-227-0114	\$275 Tenant \$200 Non-Tenant	-	Yes	Yes	7 days	M-F: \$25 all day S-S: \$40 all day \$20 only over	-	Uncovered
12 151 Francisco	Acad Parking	415-208-2008	\$240	\$205	Yes	Yes	7 days	\$16 S-S in balcon \$30	\$2 / 15 min	Covered
13 Sausalito / Embarcadero	Ampro System	415-961-4213	\$400	\$250	Yes	Yes	7 days	\$22 in balcon then & out by 7pm \$18 in balcon then & out by 7pm	\$2 / 15 min	Covered
14 Pier 20	Priority Parking	415-777-4042	\$175 Tenant \$200 Non-Tenant	\$500	Yes	Yes	7 days	\$25 for 12 hrs, \$60 after 12 hrs \$18 in by then & out by 6pm	\$3 / 20 min	Covered
15 Pier 26-12	Priority Parking	415-777-4042	-	-	-	-	-	-	-	Covered
16 Pier 15-12	Priority Parking	777-4842	-	-	-	-	-	\$25 for max, \$45 M-F size	-	Covered
17 Giant / Ford / Embarcadero	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	\$17 in by then, \$23 after 12 hrs	\$2 / hr	Uncovered
18 Ford / Broadway & Valdez	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	\$45 S-S, \$12 after 5pm & valid \$15 in by 6pm, \$20 balcon then, \$40 Max \$10 after 6pm, \$10 after & valid, \$40 Max	-	Uncovered
19 Davis / Valdez / Embarcadero	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	\$20 balcon 11am, \$25 after 11am, \$30 Max \$15 after 5pm, \$20 after, \$45 Weekend then	-	Uncovered
20 Davis / Broadway / Embarcadero	Priority Parking	777-4042	\$550	\$400	Yes	Yes	7 days	\$20 balcon 11am, \$25 after 11am, \$25 Max \$15 after 5pm, \$20 after, \$45 Weekend then	-	Uncovered
21 735 Davis / Broadway & Valdez	West Coast Parking	735-8877	-	\$325	Yes	Yes	7 days	\$18 M-F \$15 S-S	-	Uncovered

PARKING RATES SURVEY
As of May 1, 2015

Location	Operator	Phone #	Monthly Parking			In-Cash / Prepaid	Days / Week	Hour	Daily / Parking	Hourly Parking	Covered / Uncovered
			Reserved	Not reserved	Variety						
22 847 Ford / Broadway & Valdez	Pacific Park Mgmt	384-9428	-	\$325	Yes	Yes	M-F	8am-5pm	\$18	-	Covered
23 768 Ford / Broadway & Pacific	Pac Park	374-4247	-	\$115 \$200 (week) \$250 (month)	Yes	Yes	M-F 7-10am	24 hrs	\$15 in before 8am, \$22 in after 8am	\$8 1st hr, \$2 2nd hr, after	Covered
24 768 Bakery Parking Garage Broadway / Bakery & Front	Jenga System	854-8148	-	\$240	Yes	Yes	M-F	7am-7pm	\$20 in after 7am & out by 7pm \$18 in before 8am & out by 7pm	\$2.60 / 20 mins	Covered
25 808 Samsom / Broadway	Liberty Parking	855-342-3019	-	\$300	Yes	Yes	M-F	8am-5pm	\$15 in before 10am, \$25 in after 10am	-	Covered
26 958 Samsom / Broadway & Valdez	Liberty Parking	855-342-3010	-	\$300	Yes	Yes	7 days	24 hrs	\$15 in before 10am, \$25 in after 10am	-	Covered
27 350 Pacific / Bakery & Samsom	American West	984-8743	-	\$320	Yes	Yes	7 days	24 hrs	\$15-\$18 in before 11am, \$20 in after 11am \$18 after 4pm	-	Uncovered
28 768 Samsom / Pacific & Jackson	California Parking	468-4860	-	\$418.00 \$380.00	Yes	Yes	7 days	24 hrs	\$25 for 12 hrs	\$2.50 / 20 mins	Uncovered
29 758 Old Bakery Garage Embarcadero Center & Front	Pay After Parking	433-4722	\$310	\$400	Yes	Yes	7 days	24 hrs	\$20 after 8:30am \$22 in before 8:30am	\$7 1st	Covered
30 Embarcadero Center Garage Building 1, 2, 3 & 4	Angira System	775-4670	\$650	\$425	Yes	Yes	7 days	24 hrs	\$34, out by 12am	\$8 / 20 mins	Covered
31 Horseshoe Landing Parking Lot Floor 3	Horseshoe Landing	788-8688	-	\$325	Yes	Yes	M-F	8am-12am	\$20 8am-12am \$54 daily rate \$15 after 4pm	\$5 1st	Uncovered
32 Ferry Bldg Investors Parking Lot Embarcadero / West-Admission St	Ice Parking		-	-	-	-	-	-	-	\$8.50 1st	Uncovered
33 Market Garage Market / Spear	Ice Parking	777-2592	\$825	\$525	No	Yes	7 days	24 hrs	\$44 8am-5pm	\$12 1st	Covered
34 Wilson Center Garage 121 Spear / Market & Howard	Standard Parking	865-9488	-	\$375	Yes	Yes	M-F	8am-10:30pm	\$30	\$4 / 20 mins	Covered
35 75 Howard / Market & Spear	Ice Parking	943-2214	\$485	\$375	No	Yes	7 days	24 hrs	\$31 daily rate \$22 in before 8am, out by 4pm	\$8 / 20 mins	Covered
36 Regatta Lot 1 Street St / Embarcadero & Double	Impassal Parking	227-0114	-	\$250	No	Yes	7 days	24 hrs	\$18 in before 6:45am	-	Uncovered
37 Pier 28	Impassal Parking	227-0114	\$200 / \$225 / \$266	-	Yes	Yes	7 days	8am-10pm	-	-	Covered
38 Pier 28	Impassal Parking	227-0114	\$200 / \$275 / \$360	-	Yes	Yes	7 days	8am-10pm	-	-	Covered
39 Pier 30/32	Impassal Parking	227-0114	-	\$150	Yes	Yes	7 days	8am-10pm	In by 8am is \$14, \$17 all day, \$4 for last hours	-	Uncovered

Exhibit G

Keyser Marston Associates Letter



KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADMINISTRATIVE
REAL ESTATE
REDEVELOPMENT
AUTOMOBILE HOUSING
ECONOMIC DEVELOPMENT

SUN FILLIMONTU
A. JONNY KEYSER
TIMOTHY C. KELLY
KATE EARLE FINE
DOROTHY M. KORN
REED T. KAWANISHI
DAVID DOGEMBA

LISA ANASTAS
KATHLEEN H. HIGGS
JAMES A. RANG
GREGORY D. SOO-HO
KEVIN E. ENGLISHMAN
JULIE L. RIMNEY

SAN DIEGO
PAUL C. MARRA

To: Jeffrey Bauer
Port of San Francisco

From: Keyser Marston Associates, Inc.

Date: May 7, 2015

Subject: Review of 2015-16 Port Minimum Rent Schedule

Introduction & Conclusions

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a review of the Port of San Francisco's May 26, 2015 memorandum regarding the "Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates." KMA has been tasked to review the Port's 2015-16 schedule for the purpose of assessing the reasonableness of the rents for office, industrial/warehouse, and parking facilities. Special events and filming rates are not included in KMA's assessment.

As further described in this memorandum, KMA concludes that the minimum office, industrial/warehouse, and parking rates recommended in the Port's 2015-16 schedule are generally reasonable and consistent with overall market trends.

Background & Approach

The Port of San Francisco is a lessor of a wide variety of real property including office space, industrial/warehouse space, parking spaces, paved and unpaved land, and space for special events and filming. The Port annually updates a schedule of minimum rents for a number of the Port's properties. New leases and lease renewals with terms that equal or exceed the minimum parameters contained in the schedule can be approved by the Port's Executive Director. Leases that fall outside the parameters of the schedule must be approved by the Port Commission.

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Subject: Review of 2015-16 Port Minimum Rent Schedule

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The purpose of the rent schedule is to set minimum rents, which are intended to approximate the lower end of market, in order to keep to a reasonable number the leases the Port Commission needs to review and approve while at the same time providing additional assurance that the minimum rents are consistent with the market. Port leasing staff is free to lease properties at the highest rate that it can achieve from a certain tenant, and in fact we understand that the majority of leases are successfully negotiated with rents above the minimums.

While it is the Port's mandate to maximize lease revenues, it is KMA's understanding that the Port also has a strong desire to retain small, local businesses as much as possible, especially those that are consistent with the public trust regarding waterfront land. Port staff's recommended minimum rents take both of these policy objectives into consideration.

In performing this assignment, KMA undertook the following tasks:

- Reviewed the Port's proposed 2015-16 minimum rental rate schedule;
- Assessed changes from the Port's 2014-15 rent schedule;
- Reviewed the current rent roll of Port properties;
- Reviewed and analyzed current rent listings and other market data; and
- Discussed the Port's recent leasing activity with Port staff.

We are generally familiar with the Port's properties and have performed "windshield" visual inspections of those properties in prior years.

Analysis

A. Office

Office market conditions in San Francisco have improved from last year. According to Q1 2015 broker reports from Cassidy Turley/DTZ, CBRE, Colliers, Cushman & Wakefield, and Newmark Cornish & Carey, the overall average asking rate for office properties in San Francisco (all classes) increased 10% to 15% year over year¹. The average office rent in San Francisco now stands at \$65/sq.ft./year (\$5.40/month) on a full service gross basis². The average full service rent for Class B space is about

¹ The reason for the percentage range is that the brokerage firms compute the average rent data somewhat differently from each other.

² When comparing office market rents with the Port's office rents, it is noted that many of the Port's rents are expressed on a triple net basis rather than on a full service gross basis. Triple net

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Subject: Review of 2015-16 Port Minimum Rent Schedule

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\$58/sq.ft. (\$4.80/month). The broker reports do not break out average rents for Class C office space.

Port leasing staff has indicated that certain of the Port's office properties have low vacancy rates and are in high demand, and on this basis staff recommends the minimum rents for many properties be increased from last year. Port staff is recommending that the minimum rents for many of the Port's office properties be increased in the range of 10% to 15% from last year, consistent with the overall trend in the San Francisco market. For other office properties which are in less demand due to physical conditions, layouts, location, and other factors, Port staff is recommending that the minimum rents remain unchanged from last year.

Based on a review of third party market data, review of Port lease data for specific properties, and discussions with Port leasing staff, KMA concurs with Port staff's 2015-16 minimum office rent recommendations. It is noted that among the factors that puts downward pressure on the Port's rents relative to the overall San Francisco office market is the more advanced age and less optimal physical condition of many of the Port's facilities as well as the fact that the Port has limited ability to fund up front tenant improvement costs.

B. Industrial/Warehouse

As with the office market, industrial market conditions in San Francisco have also improved from last year. Port staff reports that, in general, demand is high for its Industrial/shed space despite the fact that some of the Port's properties have physical limitations such as a lack of truck height loading bays and large clear interior spans. In recognition of improved market conditions, Port staff is recommending that the minimum rents for many of the Port's industrial shed space be increased in the range of 10% from last year. With these increases, most of the new minimum rents would cluster in the \$1.00 to \$1.25/sq.ft./month range (on an industrial gross basis). According to Cassidy Turley/DTZ, the average industrial warehouse asking rent in San Francisco is currently \$1.11/sq.ft./month.

Based on a review of Port lease data for specific properties and discussions with Port leasing staff, KMA concurs with the Port's 2015-16 minimum industrial/warehouse rent recommendations.

rents are lower than full service rents because the tenant pays for taxes, insurance, and maintenance expenses in addition to rent.

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C. Parking

In May 2015, Port staff updated its survey of rates for parking facilities in the vicinity of the Port. Overall, Port staff's assessment is that market conditions have improved from last year. In order to reflect improved conditions in the market, Port staff is recommending that the minimum parking rates be increased by roughly 5% on the northern waterfront and 6%-7.5% on the southern waterfront. On the basis of the Port's survey of rates from competitive parking facilities and on the Port's current parking vacancy rate, which currently stands at 18%, KMA concurs with Port staff's 2015-16 parking rate recommendations.

Exhibit H: Synopsis of Port Leasing Policies

The Port Commission has delegated authority to Port staff to execute certain leases, licenses and memoranda of understanding that meet the following criteria:

1. **Use Type:**
The agreement is for an office building or bulkhead office space, open or enclosed pier shed space, paved or unpaved open space, or open pier or apron space or roof-top space but is not for a retail use.
2. **Use Consistency:**
Except for temporary uses (with terms not exceeding six (6) months), the use under the agreement represents a like-kind use to the existing or the immediate prior use of the facility.
3. **Assignments and Subleases:**
Unless otherwise explicitly provided by the Lease, staff is authorized to consent to assignments and subleases on a form approved by the City Attorney and provided the terms and the conditions of the sublease or assignment complies with the terms and conditions of the Lease.
4. **As-Is Execution:**
The tenant executes the Port's appropriate* standard form agreement with no alterations except for minor changes approved by the City Attorney or changes in insurance requirements approved by the City Risk Manager.
5. **Term Limits:**
The term of the agreement does not exceed five (5) years, except for those leases in the Fisherman's Wharf Seafood Center at Pier 45 Sheds B and D that have a maximum lease term of ten (10) years (Port Resolution No. 94-122; Amended February 28, 2006, by Resolution No. 06-15). Leases for telecommunication sites may be up to nine (9) years (Port Resolution No. 96-123).
6. **Select Tenant Improvement Allowance:**
Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. Allowances for paint (amended June 8, 2010 by Resolution 37-10) up to a maximum of \$3.50 per square foot, and for floor covering, up to a maximum of \$5.00 per square foot (amended July 10, 2012 by Resolution 12-52), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.
7. **Limited Early Entry:**
One month rent-free early entry to include rent abatement for each year of lease term may be granted, up to three months, for the purpose of space preparation (not to exceed three months). (Amended July 14, 2009 by Resolution No. 09-34).

8. Compliance with City Laws:

The standard forms require compliance with all laws, explicitly including requirements for compliance with environmental laws including hazardous materials handling and cleanup; City zoning laws; the Port Waterfront Land Use Plan; and consistency and compliance with the Secretary of the Interiors Standards for the Treatment of Historic Properties and the Port of San Francisco Historic Preservation Review Guidelines for Pier and Bulkhead Wharf Substructures.

9. Large Land Discount:

Port staff is authorized to offer a 5% discount for land transactions with minimum premises of 43,560 square feet and a minimum term of 36 months (Amended June 8, 2010 by Resolution 10-37).

10. Rental Rates:

The Port's leasing policy provides for an annual update of the Rental Rate Schedule. The Rental Rate Schedule sets ranges of minimum lease/license rental rates per square foot and ranges of Minimum Net Effective Rental Rates per square foot (if any rent credits are to be provided) by type of use and facility for office, shed and industrial space.

11. Reporting to Port Commission:

Port staff provides a monthly report to the Port Commission indicating Leases, Licenses, Memoranda of Understanding, consents to sublease, and assignments executed pursuant to this policy.

12. The City's administrative policy is to competitively solicit leasing opportunities, except where impractical or infeasible. The Port has a high volume of leases (about 550) for relatively small leased areas at nominal rental rates. To competitively bid such a large volume of leases would be impractical because the benefit of doing so does not outweigh the cost of resources that would be required just for this effort. Moreover, Port is generally able to accommodate most entities that wish to enter into leases for general special events, offices, and pier and open land storage space. As such, it is the policy of the Port not to competitively bid leases or licenses for special events, office, warehouse space, or unimproved land. Instead, for these fairly routine leases, the Port relies on the parameter rental rate structure that is based on an analysis of comparable rent charged in the private sector and/or based on existing conditions of individual properties as adjusted annually to reflect market conditions. However, where a business model is highly competitive and represents a major revenue opportunity for the Port (e.g., development opportunities, retail leases, parking lots, concrete batching, construction materials recycling), the Port would issue a competitive solicitation.

Office Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Type	Square Feet	Rate / SF
Ferry Plaza					
Shelterbelt Builders, Inc	L-15881	2505	OFFICE-FS	328.00	2.66
Buchdrucker, Elliott D.	L-15905	2780	OFFICE-FS	1025.00	2.40
Adrienne Wong Associates	L-15779	1540	OFFICE-FS	213.00	2.00
Good Pastures MeatCo, Inc.	L-15767	2780	OFFICE-FS	536.00	2.62
MacPhee, Amie E.	L-15766	2780	OFFICE-FS	310.00	2.82
Scarborough Insurance Agency	L-15783	2780	OFFICE-FS	1945.00	2.30
Diamond Freight System, Inc.	15755	1500	OFFICE-FS	681.00	2.00
			Average Monthly Rate \$		2.40
Garita, Barbara	L-15903	1540	OFFICE-NET	165.00	2.00
Apparel Sourcing and Production LLC	L-15891	1540	OFFICE-NET	302.00	1.60
Apparel Sourcing and Production LLC	L-15891	1540	OFFICE-NET	161.00	1.50
Community Access Ticket Service	L-15879	1540	OFFICE-NET	507.00	2.00
Haber, Danny J.	L-15887	1540	OFFICE-NET	236.00	2.00
Haber, Danny J.	L-15887	1540	OFFICE-NET	295.00	2.00
Thimble Bioelectronics, Inc.	L-15880	1540	OFFICE-NET	159.00	2.00
Thimble Bioelectronics, Inc.	L-15880	1540	OFFICE-NET	177.00	2.00
Shliffar, Genevieve	L-15815	2780	OFFICE-NET	210.00	2.75
			Average Monthly Rate \$		1.98
Northeastern Waterfront					
Warwick Properties Group, Inc	L-15854	3180	OFFICE-FS	615.00	3.25
			Average Monthly Rate \$		3.25
Runfola, John	L-15778	1090	OFFICE-NET	3325.00	3.10
Herman, Steven H.	L-15806	1351	OFFICE-NET	1553.00	2.75
			Average Monthly Rate \$		2.93

Office Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Type	Square Feet	Rate / SF
South Beach					
Sasco, Inc.	L-15872	1280	OFFICE-NET	2256.00	2.25
				Average Monthly Rate \$	2.25
Southern Waterfront					
Buddy Rhodes Studio, Inc.	L-15844	2800	OFFICE-FS	439.00	1.25
Consolidated Limo Inc.	L-15818	2800	OFFICE-FS	156.00	1.25
				Average Monthly Rate \$	1.25
RDF Productions LLC	L-15894	2800	OFFICE-NET	4249.00	2.00
RDF Productions LLC	L-15894	2800	OFFICE-NET	1140.00	2.00
RDF Productions LLC	L-15894	2800	OFFICE-NET	15520.00	2.00
SFCC Municipal Transportation Agency	M-15747	3540	OFFICE-NET	1319.00	1.35
Pacific Bay Builders, Inc.	L-15797	2800	OFFICE-NET	536.00	1.25
				Average Monthly Rate \$	1.72

Shed Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Square Feet	Rate/SF
Ferry Plaza				
California Drywall Company	L-15914	1500	1574.00 \$	1.25
California Drywall Company	L-15914	1500	3184.00 \$	0.84
Shelterbelt Builders, Inc	L-15882	1500	3416.00 \$	1.25
Distillery No. 209 Ltd. Napa, California	L-15869	1500	890.00 \$	1.25
Overstreet Associates, Inc.	L-15870	1500	855.00 \$	1.25
Hadjout, Small	L-15776	1500	821.00 \$	1.25
Diamond Freight System, Inc.	15755	1500	2464.00 \$	1.25
Diamond Freight System, Inc.	15755	1500	1642.00 \$	1.25
Sian, Kuldeep Singh	L-15785	1500	1660.00 \$	1.29
		Average Monthly Rate	\$	1.21
Fisherman's Wharf				
San Francisco Maritime National Park Assoc.	L-15807	1451	2406.00 \$	1.30
Barnett, John	15801	1451	848.00 \$	0.30
Fontes, Mike	15802	1451	623.00 \$	0.30
Hodges, Sean	15803	1451	1275.00 \$	0.30
Kemp, David	15799	1451	402.00 \$	0.30
Papetti, Savior	15805	1451	850.00 \$	0.30
Reynolds, Robert	15804	1451	620.00 \$	0.30
Schwarz, Mark	15800	1451	850.00 \$	0.30
Tarantino, John	15798	1451	853.00 \$	0.30
		Average Monthly Rate	\$	0.41

Shed Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Square Feet	Rate/SF
Northeastern Waterfront				
Autodesk, Inc	15886	1190	6383.00 \$	1.50
Art & Glass, Inc.	L-15843	1330	1230.00 \$	1.25
M.F.M. Seafood, Inc.	L-15841	1330	1221.00 \$	1.00
M.F.M. Seafood, Inc.	L-15841	1330	381.00 \$	1.10
M.F.M. Seafood, Inc.	L-15841	1330	2477.00 \$	1.00
M.F.M. Seafood, Inc.	L-15841	1330	5138.00 \$	1.00
M.F.M. Seafood, Inc.	L-15841	1330	1200.00 \$	1.00
Andre-Boudin Bakeries, Inc.	L-15834	1330	1230.00 \$	1.00
Autodesk, Inc	15840	1090	755.00 \$	1.50
Autodesk, Inc	15840	1090	913.00 \$	1.50
E.A.N. Corporation	L-15256	1330	6074.00 \$	1.00
E.A.N. Corporation	L-15256	1330	4920.00 \$	1.00
Bobler, Richard A.	L-15781	1330	2460.00 \$	1.03
		Average Monthly Rate \$		1.14
South Beach				
Sasco, Inc.	L-15871	1260	4640.00 \$	1.00
The Bay Institute Aquarium Foundation	L-15884	1260	1750.00 \$	1.00
		Average Monthly Rate \$		1.00
Southern Waterfront				
Recology San Francisco	15909	1960	20000.00 \$	0.30
Ranger Pipelines, Inc.	L-15857	6019	4918.00 \$	0.55
SFCC Municipal Transportation Agency	M-15747	3540	25145.00 \$	0.85
West Cork Self Storage	L-15734	1800	2355.00 \$	0.87
		Average Monthly Rate \$		0.86

Land Leases Effective From April 1, 2014 through March 31, 2015

Lessee Name	Contract #	Facility	Type	Square Feet	Rate / SF
Ferry Plaza					
Affordable Self Storage, Inc.	L-15690	3490	LAND	74742.00	0.33
Affordable Self Storage, Inc.	L-15691	3490	LAND	144818.00	0.33
Rivera, Ernest		3490	LAND	3579.00	0.35
Rivera, Ernest		3490	LAND	3579.00	-
				Average Monthly Rate \$	0.25
Southern Waterfront					
Affordable Self Storage, Inc.	L-15831	3560	LAND	60000.00	0.27
Affordable Self Storage, Inc.	L-15831	3560	LAND	16320.00	0.27
Affordable Self Storage, Inc.	L-15831	3560	LAND	15809.00	0.27
Black & Veatch Corporation	L-15842	3520	LAND	130680.00	0.3
MJB Steel Products Co.	L-15899	1960	LAND	17625.00	0.36
Mann, Michael Patrick	L-15774	1900	LAND	1600.00	0.36
Ranger Pipelines, Inc.	L-15857	6019	LAND	37620.00	0.3
SFCC Municipal Transportation Agency	M-15747	3540	LAND	111949.00	0.35
Skanska USA Civil West California District, Inc.	L-15826	1940	LAND	67090.00	0.35
West Cork Self Storage	L-15734	1800	LAND	9108.00	0.36
				Average Monthly Rate \$	0.29



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SAN FRANCISCO PORT COMMISSION

**MAY 26, 2015
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO**

**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE SPECIAL MEETING TUESDAY, MAY 26, 2015

1. CALL TO ORDER / ROLL CALL

Port Commission Vice President Willie Adams called the meeting to order at 2:32 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon and Doreen Woo Ho. Commission President Leslie Katz arrived at 2:40 p.m. Commissioner Mel Murphy was not present.

2. APPROVAL OF MINUTES – April 28, 2015

ACTION: Commissioner Woo Ho moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; the minutes of the April 28, 2015 were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

At 2:32 p.m. the Commission withdrew to closed session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTER (Discussion and Action Item). *This session is closed to any non-City/Port representative:

- a. Discuss existing litigation matters and possible approval of proposed settlement pursuant to subdivisions (a) and (d)(1) of California Government Code Section 54956.9 and San Francisco Administrative Code section 67.10(d)(1):

In re Pier 38 Maritime Recreation Center, Inc. (Debtor), U.S. Bankruptcy Court, Northern District of California, San Francisco Division, (Case No. 07-31444 DM 11 Chapter 7), and related adversary proceeding, City and County of San Francisco by and through its Port Commission v. Andrea A. Wirum, Trustee of the bankruptcy estate of Pier 38 Maritime Recreation Center, Inc.; and related counter-claim, Andrea A. Wirum v. City and County of San

Francisco by and through its Port Commission (Adversary Proceeding No. 10-3271.)

Proposed settlement of litigation existing between the Port and Andrea A. Wirum, as trustee ("Trustee") for the debtor and former tenant Pier 38 Maritime Recreation Center, Inc., alleging various claims against one another. The Port asserted against the Trustee secured, unsecured, and administrative claims for breaches of the lease, including past rents due and a lien upon sublease rents received by the bankruptcy estate. The Trustee alleged various counter-claims against the Port, including breach of lease/contract and wrongful conduct, such as failing to make contractually required repairs, failing to maintain the premises, failing to act timely for permits, outside agency loans and rent credits, failing to cooperate in development of a yacht harbor, seeking to wrongfully evict the debtor, and otherwise breaching the covenant of good faith and fair dealing.

The proposed settlement includes the following material terms: 1) the Trustee's payment to the Port the sum of approximately \$30,000 in full satisfaction of the Port's lien against the funds currently on hand in the bankruptcy estate in the approximate amount of \$74,000; 2) the Trustee's retention of the sum of approximately \$44,000 of the funds on hand in the estate in full satisfaction of Trustee's counter-claims asserted against the Port in the Adversary Proceeding; 3) the Port's and the Trustee's mutual dismissal without prejudice of Adversary Proceeding No. 10-3271; 4) the Port will retain all of its claims but will subordinate its administrative claim to the fees and expenses of the Trustee and her professionals as to the funds retained by the bankruptcy estate under the settlement; 5) the Trustee will release or waive any other claims against the Port which exist in favor of the bankruptcy estate or the Trustee; and 6) the Trustee will stipulate to relief from the bankruptcy automatic stay to permit the Port to apply the \$15,000 security deposit for the lease which the Port is holding. The settlement is subject to the approvals by both the Port Commission and the United States Bankruptcy Court.

5. RECONVENE IN OPEN SESSION

At 3:25 p.m. the Commission reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session in reconvene in open session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to disclose that in closed session, the Commission voted 4-0 to approve the settlement of existing litigation

described in Agenda Item 4.A.(1)(a) between the Port and Andrea A. Wirum, as trustee of the bankruptcy estate of Pier 38 Maritime Recreation Center, Inc. and to not disclose any other information discussed in closed session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- Scoma's Restaurant 50th Anniversary

Monique Moyer - The first item on my report is to recognize the 50th Anniversary of Scoma's Restaurant. Scoma's Restaurant was opened in 1965 when two brothers, Al and Joe Scoma, heard about a little coffee shop on the wharf that was for sale. This little tiny coffee shop contained six stools as a coffee shop on Pier 47 that served local fisherman breakfast and burgers. Al and Joe Scoma bought the restaurant and over many years, turned it into a world renowned restaurant that it is today.

Scoma's Restaurant was recently recognized as one of the Top 10 Best Seafood Restaurants in San Francisco by Open Table's Diner's Choice Awards which is a very important award to receive. We're very proud of them for their half century of great service, great seafood and being a wonderful tenant here at the Port. We wish them many happy returns.

- Red's Java House 60th Anniversary

Equally lengthy service is that Red's Java House at Pier 30 is celebrating its 60th Anniversary. They were opened in 1955 as Red's. In the 1930s a little establishment named Franco's Lunch opened on Pier 30 to sell food

to the local longshoremen and sailors. At that point in time, breakfast special was a cheeseburger and a beer. Then a newsboy named Tom "Red" McGarvey was selling copies of the San Francisco News and the San Francisco Call Bulletin to the longshoremen during the great waterfront strike of 1934.

When the restaurant came up for sale in 1955, Tom and his brother Mike McGarvey bought the Franco's Lunch and renamed it Red's Java House. As many people know, in 1984, the structures at Piers 30-32 burnt down, but thankfully Red's Java House remained thanks to the hard work of the fire department and the fire boat Phoenix.

Red's is celebrating its 60th Anniversary tomorrow, May 27, 2015. So from 11:00 AM to 3:00 PM tomorrow, Red's Java House will be rolling back their menu prices to their 1955 prices. You can get a hot dog for \$0.35 and you can get a hot dog and a Bud for \$0.65. You can get a double dog for \$0.45 and a double dog and a Bud for \$0.75. You can get a hamburger for \$0.45, a cheeseburger for \$0.50, a double cheeseburger for \$0.75 and the pièce de la résistance, a double cheeseburger and a Bud for a buck.

Please go see Red's Java House tomorrow. If you work for the Port, please do so on your own time after hours. I can see all of you guys salivating in the audience. Now, and then my other favorite quip about Red's was that in 2001 Red's made their first major menu addition in 40 years and they added French fries to the menu so that's a very good move.

Please join us in congratulating Red's Java House on their 60th Anniversary and their long stewardship at the Port feeding not just the longshoremen but now all of the rest of us that meander by.

- Notice of Preparation (NOP) of an Environmental Impact Report (EIR) for the proposed Pier 70 Mixed-Use District Project and public scoping meeting for the EIR - May 28, 2015, from 6:00 p.m. to 8:00 p.m. at Pier 1

The Notice of Preparation (NOP) for the Environmental Impact Report (EIR) for the proposed Pier 70 Project is available and a public scoping meeting for the EIR will be held on Thursday, May 28th from 6:00 to 8:00 PM at Pier 1.

- Cancellation of Port Commission meeting – June 9, 2015
- Special Port Commission Meeting – June 23, 2015, Port Commission Hearing Room, Ferry Building

Our regularly scheduled meeting for June 9, 2015 has been cancelled due to quorum issues and rescheduled to Tuesday, June 23. We will

have one meeting in June which will be Tuesday, June the 23rd instead of Tuesday, June 9.

- Receipt of three proposals for Bayview Gateway Art Project at Cargo Way and Third Street

David Beaupre will give you a bit of data on bids that we've received for the Bayview Gateway Art Project which are available for public comment through the next month or so.

David Beaupre, Planning and Development - The Arts Commission is commissioning a public art piece at the corner of Third and Cargo Way as a part of the Port's Bayview Gateway Project. The three artists were selected through a panel selection process through the Arts Commission. The three artists have submitted their proposals which are available online at the Port's website, sfport.com/BayviewGatewayArt and through the Arts Commission website of sfartscommission.org/PublicArtCollection under the proposals.

The three proposals include Seyed Alavi with his proposal titled Gatekeeper, a monumental figurative sculpture accompanied by a plaque with inspirational quote. The Flaming Lotus Girls with their proposal for a spiral sculpture and propeller garden inspired by the history and community of the Bayview. Lastly, Cliff Garten with his proposal of Islais sculpture and seating inspired by the history and landscape of Islais Creek.

The public is able to review these proposals at both the Bayview Public Library from now until June 14, 2015 and able to submit written comments through both the Port's website at sfport.com/BaviewGatewayArt or the Arts Commission website at sfartscommision.org/PublicArtCollection.

- B. Port Commissioners' Report - None

10. CONSENT

- A. Request approval of amendment to the 2013 Port of San Francisco Building Code to remove existing Section 106A.2, that provides a permit exemption for fences not exceeding 6 feet in height; thereby require building permits for construction of all future fences on Port property. (Resolution No. 15-17)
- B. Request authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building & Roof Repair Project. (Resolution No. 15-18)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor; Resolution Nos. 15-17 and 15-18 were adopted.

11. PLANNING & DEVELOPMENT

- A. Request approval of: (1) Findings that the project proposed by TMG Partners, a California corporation, for premises located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street is consistent with the Burton Act and the public trust for commerce, navigation and fisheries; and (2) Lease No. L-15892 between the Port of San Francisco and TMG Partners (or its affiliate) for a term of 25 years. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 15-19)

Elaine Forbes, Chief Financial Officer - I'm joined today with Byron Rhett, the Deputy Director of Planning and Development who's led the Pier 38 team, Brad Benson, Jeff Bauer, John Doll, all on the project team as well as Grace Park, the attorney who's been helping us draft this lease and as part of our team. TMG Partners today has representatives Cathy Greenwold who is a Vice Chair of the Partnership and Charles Gibson who is a partner.

Today I will go over the project timeline and give a very brief overview. I know that you all heard about this project on April 28, 2015 so I'll keep it quick but enough detail for the public tuning in today. I will go over the changes to the deal terms since the last presentation and respond to the questions that came up that day and also provide a rationale for the finding we're asking you to make of Trust Consistency and for the lease approval. Brad Benson will be helping me with the presentation.

We're very pleased to be before you today to recommend this lease. It restores the Bulkhead of Pier 38 and it makes important Public Access improvements. This is 100-year-old building and it's been closed since 2012 because of very serious code violations. We're very excited and eager to get it back in active use for the benefit of the South Beach community and of the whole Public Trust.

While the Port Commission is considering the Capital Investment option in July, today marks the conclusion of the process that began with selection of TMG as the most qualified respondent in December 2013. That was followed with initial deal term presentation November of 2014, Categorical Exemption Class 32 CEQA determination March 31, 2015 revised deal terms which you heard on April 28, 2015. We're here before you today and then we will be bringing the lease for consideration by the Board of Supervisors in July.

The lease does include the investment option that we've been discussing. It's something we asked from TMG. It's not something they've asked of us.

They've continued to work through this option with us to structure it and to provide for auditing provisions. It's a creative option that the Port Commission can choose to exercise or not exercise. The review will be in July will be coming to you so you can look at the opportunity costs of other Port investments relative to this investment and you can decide whether or not to exercise.

Should you choose to exercise the investment option, we'll bring it to the Capital Planning Committee in August and then to the Board of Supervisors in September when they return from the Board recess. As the lease is structure to exercise the option, we have to provide cash on October 30, 2015 or 15 days after lease commencement, whichever is later. This schedule will allow for you to exercise your option should you choose to do so and the approval bodies concur.

The proposed uses are consistent with the RFP that was issued, Bulkhead restoration, re-tenanting for ongoing Port revenue, office and visitor-serving commercial and maritime uses and historic rehabilitation.

The restaurant is going to activate the northern portion of the Pier Apron adjacent to the Brannan Street Wharf and represents an important public amenity for this project. The project includes approximately 29,000 square feet of office space. It will be targeted to creative and technology-oriented users and the character of the Bulkhead building and the open floor plan will create very valuable and unique space. You will see shortly from the numbers and the revenue side for the tenant, that the office use generates the revenue in the project and allows for some of the other improvements from the project.

You will notice that when we came here on the April 28, 2015 the office, Parcel C, was slightly larger. At that time it was 45,000 square feet. Now it's 38,880. The reduction is from conversations with the Fire Marshal relative to exiting. This area is going to be used for Special Events, likely to include corporate events, private parties and trade shows and it will accommodate 20 parking spaces solely for the office tenants.

After hearing from the Port Commission last time, TMG has worked with the South Beach neighbors and is proposing public and community use of this Public Space, of the event space, and you'll be hearing more detail about that shortly.

The project includes quite a bit of Public Access improvements that are needed including 4,300 new Public Access space on the Embarcadero, repairs to the concrete marginal wharf and North Apron, repairs to the gangway and floating dock. The floating dock will be available to water taxi operators which is important to our maritime mission, and short-term guest berthing. The refurbished Apron and floating dock represents 6,200 square feet of new Public Access.

The majority of the lease terms are the same so we'll cover everything that has changed that's significant. First, TMG Partners has requested three months additional due diligence period to examine seismic and environmental risks of the project. Commencement, we're still projecting from fourth quarter of this year to second quarter of next fiscal year. The earliest is probably September of lease commencement but it could go out as long as second quarter 2016. The tenant will provide a completion guarantee for Capital work in lieu of a performance bond.

For Parcel C, the Special Events Area, if for three years there are no Special Events, the Port will have the right to propose a subtenant and the Port will participate in revenues from Parcel C.

Regarding Sea Level Rise, when we were here last time we said we would discuss Sea Level Rise and how to deal with it in the lease. This is the proposed framework to identifying flood mitigation measures that are required and how to pay for those flood mitigation requirements. The Chief Harbor Engineer may determine need for temporary improvements such as sandbagging, etc.

For permanent improvements, the parties will meet and confer for up to nine months to scope the improvements. If no party elects to perform the work and the work is required to prevent threats to public safety, the lease will terminate.

If the tenant makes the improvements, they will be eligible for a rent credit up to 25% of the base rent years 21-25. If the Port makes the improvement, we'll charge back the cost of that improvement based on the amortization schedule of the asset. But in no event will our increase in their rent exceed 25% of base rent.

The Port Commission may recall that the rent credit was initially structured from year 1-25. When we looked to change the deal terms to improve Port rent, one concession that TMG made was for the rent credit to expire in year 20 and have a market rate reset in year 21.

We have been discussing important improvements that are required such as substructure. The prior deal included a substructure reserve where the Port would reserve up to half of its base rent for substructure improvements. We removed that provision to provide more Port rent. We've been looking to solve and incentivize substructure improvements, voluntary seismic improvement in the Bulkhead and flood mitigation.

We're offering a rent credit, up to half of the rent years 21-25, up to 25% of the rent credit can be used to, for investments made throughout the term of the lease, substructure or voluntary seismic upgrades in the Bulkhead building. For example, if the tenant made a substructure improvement in year

18, we would look at the cost of that improvement, see if it was an eligible substructure improvement. We would add interest, prime plus two, and then we would reduce rent commensurate with that improvement.

That's the same for a voluntary seismic upgrade in the Bulkhead. We're also offering an additional 25% rent credit for end of term improvements, flood mitigation measures which we just discussed, and Capital items that the Port can approve in its sole discretion. These improvements, tenant would propose in the last five years and Port could approve, will approve in its sole discretion.

This chart will be familiar to you from last time. The difference is that I'm now showing that end year 21-25 rent credit. The basic tenet is the same. Port's rent has improved notably from year 14 because of TMG's willingness to restructure our participation rent and also we've added an investment option at the Commission's sole discretion. So the green color here represents base rent and it's worth \$6.12 million over the 25 year term, \$3.5 million is in the first 20 years and \$2.6 million is in the last five years.

The rent credit, as I'm projecting is worth up to \$1.3 million. The actual value of the rent credit will depend totally on the market rate readjustments. We don't know the timing of what economic cycle we're in, when that market rate reset is made so it could be more, it could be less.

The yellow here is the Special Events and this is what we're calling the Low Scenario. It's based on five events and that generates \$1.7 million over term. What we're calling Capital Investment, is actually a repayment of Port Capital with a preferred rate of return of 8% by year 11, so it's in the light blue. The dark blue represents additional net cash flow distributed to the Port totaling \$2 million.

In this Base Case, the internal rate of return for our tenant is about 9.7% and it's about \$34 million of net revenue. Port staff believe this is a fair and reasonable internal rate of return for a project with this risk portfolio.

The High Scenario is almost exactly the same except it goes from five to 20 in the Special Events. What you see happens is the base rent stays exactly the same but the Special Events revenue goes to \$6.38 million which then flows through and increases the payment to the Port from that initial investment. Port would earn back its Capital and return on Capital in year eight and the dark blue represents additional net cash flow distributed to the Port. It has a value of about \$4.1 million. Here the internal rate of return in our High Case to the tenant would be about 16%.

This is a graphic showing exactly what I showed on the bar chart, but just in a pie to show you where the share of revenue is coming from in the Low and the High Case. We only changed one factor and that was the number of Special Events.

When this item was last presented, Commissioner Woo Ho asked, "Where is the revenue coming from in the project?" You were right, Commissioner Woo Ho, that we were overstating the importance of Special Events in the economic engine of the project where it's the office revenue is the economic driver in the project. It's just that Special Events flows to net cash flow and so that's why it's making such a big difference between the Base and the High Case.

You'll see in the Low Case, with five events a year, about 46% of the revenue is generated from the office use, 20% from the restaurant and 13% from Special Events. In the High Case, 20 events per year, Special Events grows to 38%, office 48% and restaurant at 14%.

In response to Commissioner Brandon's question at the last hearing, related to the LBE Utilization Plan, TMG has produced an LBE Utilization Plan with Veronica Sanchez, a certified LBE, and it's attached to the report. It includes good faith outreach and a project specific website. It has clear and objective selection criteria to maximize LBE participation and includes a commitment of 20% of all contracts awarded to LBEs, a Buy San Francisco list and reporting and monitoring.

I would note that the new legislation that the Board of Supervisors passed would not require this lease to produce this LBE Utilization Plan because they're not entering into a development agreement with the City. But TMG has taken the lead and produced a plan regardless of the requirement, very similar to Pier 27.

Brad Benson, Director of Special Projects - This slide represents the area of the Pier 38 Shed that would not be part of the premises, approximately 52,000 square feet. The lease includes a reservation of access rights to that space when Special Events are not happening or they're not being set up or taken down. There's going to be some constrained access to that space.

We've been consulting quite a bit with the Chief Harbor Engineer and the Fire Marshal about the use of this space. In order to lease it for a warehouse-type, dead storage kind of use, there would need to be exiting pretty much up to the jag of the Pier. We think either by rebuilding the North Apron or improving a small 10 foot wide concrete existing apron alongside the pier that we can provide that access.

The lease provides that the Port will be able to lease out that space to a third party. Based on current Port shed rents, there's a good rent to be made there. We will need to continue consulting with the Fire Marshal and the Chief Harbor Engineer about improvements and would likely come back to the Port Commission with a plan of improvement with a rate of return based on a prospective leasing for that space.

We had talked to you previously about occupancy issues in the Pier. This plan includes more office and restaurant-type use than we've historically had in the Bulkhead building. For a while, that made us worried that it would limit the use of the rear end of the shed. We've talked over that issue in great detail with the Fire Marshal and the Chief Harbor Engineer and we think that there's room for this dead storage use in the back of the shed.

Elaine mentioned that there has been a negotiation between members of the South Beach community, some of whom are here today, and TMG related to the types of events that would go on in Parcel C. Many of those events as currently envisioned would be corporate events, limited public access, and high revenue generating events.

The community has asked for and TMG has agreed to 12 community group events per year. Two of those events could be scheduled six months in advance on a weekend. The other 10 would have to be scheduled within 30 days of the planned event when there is no other conflicting event booked for this space.

The space would be made available at cost with no added fee. So event organizers would have to pay for security, janitorial services, insurance, etc. Community groups would have to get any necessary permit for the event, e.g. from the Fire Marshal. We're very pleased that TMG has made this into a public space.

Port staff and TMG and Premier Structures, their joint venture partner, have been communicating with the California State Lands Commission. Today you're being asked to make a finding of Trust Consistency under the Burton Act. Often in the past for longer term leases, the Port has gone to the State Lands Commission and asked them to issue a letter finding the project consistent with the Public Trust.

Exhibit D to your Staff Report includes a Public Trust Analysis prepared by Port staff in consultation with TMG and reviewed by the California State Lands Commission. Essentially the elements of the project that furthers the purpose of the Trust are the maritime use, that berthing space that would be available for water taxi and public berthing purposes, public access on the north apron, the restaurant use, and now the event use, the publically oriented event use in Parcel C.

In closing, the Port staff recommended rationale for lease approval includes the following: We believe the project meets the RFP goals of Bulkhead restoration, historical rehabilitation, some office use, visitor-serving uses and ongoing Port revenue. The deal as we're presenting it today, we believe balances appropriately risk and reward. This is an old facility. There are a lot of condition risks. There are market risks. Our development partner is making a substantial investment. We think that there is a good balance for both the Port and for TMG.

Through a long-term lease like this, we'll reduce some Port Harbor Fund obligations in the form of Capital backlog, ongoing maintenance obligations, insurance and claims. We believe we've come up with some interesting financial incentive structures to promote improvements to the pier over time including substructure, voluntary seismic upgrades, future sea level rise risks and the like. With that we recommend approval of the lease.

Katy Liddell - I'm the President of the South Beach Rincon Mission Bay Neighborhood Association. I'm so excited that Pier 38 is finally going to go back into use. It's a gem and everybody in the neighborhood is looking forward to having it to treasure again. TMG's plans for a restaurant, offices and event space look terrific. After the April Commission meeting, some of us were somewhat concerned after hearing about the 20 fairly high end events that were going to take place there and Commissioner Woo Ho, you're the one who asked about community events. We thank you for that. We wanted to urge that the events space be made available for a broader based audience with some community type things, some non-profits, for profits, etc.

I'm happy to say that Alice Rogers and I, also of the Neighborhood Association, met with TMG last week and talked about what Brad just told you about and have come to an agreement that we can all live with and that is those 12 events. The two that we can reserve six months out ahead of time and the other 10 that have to be made within a 30 day window.

TMG has basically said, "We're going to be a good neighbor." We really appreciate that. I think we're okay with this. I have one last request and it's a small one. I think that restaurant is one that's going to be one that has white tablecloths and crystal glasses. I'd like to request that the restaurant be able to have either a kiosk or a "To Go" functionality just like Prospect at Spear and Folsom so that passersby can grab a bite, to make it a little more affordable. Otherwise, we're happy and we do thank TMG and the Port for working with us.

Alice Rogers, Vice President of the South Beach Rincon Mission Bay Neighborhood Association - Although the Association wasn't party to our discussions, this was a group of neighbors who addressed you with our concerns. We are very pleased, obviously, that both the Port staff and the TMG staff were very receptive to broadening the use of this project. As Katy said, we're thrilled to have the building back into the fabric of the community.

While I understand that the sponsor can't negotiate the kinds of uses with neighbors, I would like to encourage them as the project develops to look to some tiered pricing on the events space beyond the community use so that when it's not booked by the high end users that it might be available for more local people for broader film nights or markets or food trucks and so on and so forth. This would be add-on revenue for everyone concerned and it would

broaden the inclusion of the project in the neighborhood. Again, we thank TMG very much for the reception to our proposal and we support the project.

Commissioner Katz - Before we start, I want to thank our staff for their work on this project. It has been a long time coming and I know a tremendous amount of work has gone into it. I want to thank in particular, Brad Benson, Jeff Bauer, John Doll, Grace and Byron, but I particularly want to thank Elaine who I know has gone above and beyond. I've heard nothing but extraordinary feedback from all angles coming in. I want to thank all of you for working so far on what I hope will be an exciting jewel in our Port crown. Elaine, thank you for pushing a boulder uphill there.

Commissioner Woo Ho - I want to also add my thanks to the staff and it's very clear that our comments from the last Commission were taken seriously both in terms of the community benefits as well as some of the areas that we talked about earlier on the financial terms. We're at a very good place. I don't have that many questions. I think you addressed them; in fact, in some cases, you took it even further than what we said.

We're very excited to see that this project move forward as quickly as possible. It's been a long time. We thought it was going to be up and running within a year. That was in 2012; we're in 2015. Hopefully now we're on the right timeline and that it seems like more details have been worked out as far as the amount of event space, how the space can be used, in terms of what's going to happen with the restaurant and others.

This is a much more defined purpose than when we started off way back when and it looks like it's going on the right track. I appreciate that Elaine, Brad and everybody involved has put this on a more even keel so it is a win-win proposition for both the developer as well as for the Port. Thank you.

Commissioner Brandon - I totally agree with Commissioner Woo Ho's comments. I want to thank Elaine and Brad for a great presentation, and all the staff that worked on this because it has been a long time coming. I am excited about Pier 38 coming back online. I want to thank TMG and everyone for working so well with the community, with the Commission, with the staff to bring this forward and also for creating the LBE Utilization Plan and especially the reporting and monitoring aspect of it.

Commissioner Katz – I want to thank TMG as well as my colleagues have indicated. We appreciate your working with the community. It sounds like we've come up with something in addition to a lot of the other terms. The arrangement that's unique but will benefit all of us in the long run. I'm excited to see about the community participation in the event space. Ms. Roger's comments are certainly well taken. If there's opportunity to increase revenue that makes sense in operating the space, it would be great to have that considered as things move forward. Once again, I appreciate everyone coming back and addressing a lot of the concerns and questions that were

raised last time. I did have one very specific question. I was curious why there was a dip in revenue in year 12.

Elaine Forbes - The reason for the dip in revenue is re-leasing. The tenant is anticipating a 10-year term with the restaurant -- with the office tenants and assumes, a nine month re-leasing time. You'll see a dip in NOI both in year 11 and again in year 21 to look at market rate risk for re-leasing.

Commissioner Katz - Again I want to thank everyone involved in this and again thank our staff and TMG and everyone for their hard work in moving this forward. It's very exciting. Thank you for community representatives who always seem to make our projects that much better. Thank you everyone and I look forward to seeing this finally opening up.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor; Resolution No. 15-19 was adopted.

B. Informational presentation regarding the National Park Service selection process for a proposed embarkation site for ferry service between the northern San Francisco waterfront and Alcatraz Island.

John Doll - I'm here with Jay Edwards from the Real Estate Division. I also want to acknowledge that Ann Altman from the National Park Service is here as well as Brian Aviles and other National Park Service staff. Libby Seifel from Seifel Consulting helped us look at some of the market comps for this project. She may be available for to answer specific questions regarding that.

This presentation was requested by Commissioner Woo Ho to provide the Commission and the Port with an update on the Port's efforts to retain NPS embarkation site to Alcatraz within the Port's jurisdiction.

The staff report articulates our overall response to this request. We stand by the written report but let me reiterate a few points with regards to background, with what NPS is doing and wants. Two, what the Port's due diligence has been. Three, the status of negotiations and four, what the next steps would be.

For decades, the Alcatraz embarkation site has been within the Port's jurisdiction. It has been at Pier 41 since 1972 and then nine years ago it moved to Pier 31½. The ferry operation to Alcatraz attracts at least 1.5 million visitors each year. Demand has grown. It could be higher to the island but is limited to ensure a first class operation or first class visitor experience on the island. NPS has plans to expand future operations beyond Alcatraz to Fort Baker and potentially other Federal attractions within the Bay.

This operation generates approximately \$53 million a year in revenue and that revenue over time will increase. As noted in the staff report, in 2008, the

National Park Service indicated to the Port that they wanted a long-term embarkation site and this would be in contrast to a mandated approach to requiring a selected ferry operator to secure an embarkation site every 10 years.

Nine years ago, NPS selected Hornblower as the ferry operator. Hornblower had secured a site at Pier 31½. National Park Service now wants to secure a permanent or long-term site, but they still require a 10-year concession contracts with a ferry operator. What they have done is to embark on a site selection process by using an Environmental Impact Study as a way to evaluate sites along the Northern Waterfront. The idea is that through this process, the National Park Service would identify a preferred site. Based on the preferred site, they would then initiate a process to identify and select a ferry operator. This can only be done if there is a selected site. The National Park Service wants to complete the final Environmental Impact Statement (EIS) late 2015 or early 2016 with a record decision to occur sometime in 2016.

The draft EIS evaluates a number of sites. There is a no action alternative which is the current site of Pier 31½ and three envisioned site alternatives, an enhanced Pier 31½, Pier 41 and Fort Mason. The draft EIS does not identify a preferred site but it did designate Pier 31½ as the environmentally preferred site. National Park Service chose not to identify a preferred site citing the outcome of negotiations with the Port as a prerequisite.

The no action alternative or the current status of the current site at Pier 31½, consists of using approximately half of the marginal wharf which is used for visitor circulation and the other half for NPS operations. Pier 33 Shed is used for temporary restrooms and back of house.

The Pier 31½ alternative -- this is the one that would be envisioned alternative -- shows using the entire marginal wharf deck, moving the back of house and National Park Service parking to the Pier 31 as well as installing or developing new, modern restrooms plus new program uses in the bulkhead buildings and possibly a third berth in the future.

This was the site plan that we've been working with. The Port developed this. This outlines some of the site uses that would be part of the overall enhanced site, Pier 31½ alternative and it also again shifts some of the uses from Pier 33 to Pier 31. Part of the consent item that was on your agenda earlier today had to do with approval of a Pier 31 project. This would dovetail with that project. It would make Pier 31 a Trust Consistent anchor for Pier 31.

"Where are we?" Where are we with regards to negotiations? We've met continuously with NPS staff over the last year or so. We have regular meetings. We understand why they want a long-term embarkation site, but this has left the Port in a very difficult position. As I've noted, NPS chose to

identify a preferred site only after there has been an agreement on business terms with the Port.

NPS insists they want a long-term deal. National Park Service maintains that they need to rebid the concession contract every 10 years. NPS says that they cannot directly invest into non-federal property, meaning that the Port would have to have the responsibility to fund improvements on land side and the piers and this is a potentially expensive proposition for the Port whose costs are unknown and funding sources not known over a 50-year period.

Nonetheless, the Port has been committed to working on an arrangement to retain Pier 31½ as the long-term embarkation site. Over the past year, the National Park Service and the Port has exchanged business term proposals. As of today, we have not reached a Business Terms Agreement.

Two major issues remain unresolved: (1) the amount of required capital investment required by the Port and how they will be funded; (2) a rent structure indicating a fair percentage of gross receipts that the Port would earn as compensation for the use of the facilities and its capital obligations.

With regards to the capital investment, even with the uncertain status of Pier 31½ as the preferred site, the Port has done its due diligence. It has invested \$160,000 looking at the structural integrity of the marginal wharf at Pier 31½ which is the key site component for embarkation.

Very recently, the Port's Engineering Consultant has developed a very preliminary cost estimate of \$7.7 million that requires more scrutiny in terms of the needed load capacity and when repairs need to be made on a long-term basis. There are also costs associated with the Pier 31 bulkhead, primarily a new public restroom facility. That is probably upwards towards a million dollars, and these costs would be additional costs to the Pier 31 project.

We are close to a general agreement on the site plan. We are in the process of developing cost estimates. We need to develop when these improvements need to be made over a 50-year term, who pays what and identifying each party's responsibilities, Capital responsibilities and ultimately a rent structure that compensates the Port for its Capital obligations.

With regards to the rent structure, this slide shows the gross revenues in 2014 of nearly \$54 million. The Port currently receives about 3% of the total gross, about \$1.5 million. NPS has offered that the rent stay virtually the same and has not addressed the long-term Capital responsibility and including the expansion of square footage envisioned under the Pier 31½ alternative.

On April 1, 2015, we delivered a Business Term Sheet to NPS that included among other things a rent structure that included a higher percentage of gross revenue to compensate the Port for its capital obligations.

The next steps, how do we resolve the outstanding issues? We've started already. We met on May 20, 2015. We sat down with NPS staff and NPS staff provided a response to our Business Term Sheet. We initiated a frank and amiable discussion with regards to the next steps.

We asked them to reconsider the length of term. More term makes for more uncertainty. They will rethink the term of their concession contract, the length of which may increase the amount of private investment into this project. We've also asked them to look into other mechanisms to help fund the project.

Jointly, the Port and National Park Service will prepare cost estimates for the Bulkhead portions of the site and the goal is to finalize these cost estimates by mid-summer and then agree to when these improvements would have to be made over the term and then who pays. Once these elements are worked out, we will need to formulate a better sense of a fair compensation to the Port with regards to a rent structure.

While we are making progress, staff feels that we need to continue to negotiate an agreement over the summer that would be mutually beneficial to both the Port and the National Park Service. In conclusion, I want to reiterate that Port staff wants to retain Pier 31½ as the embarkation site for Alcatraz on a long-term basis. There's a lot of work that has to be done, but we feel confident that headway can be made over this summer.

Bill Wygant, President of the South End Rowing Club - I've got a group here with me today. Our main purpose in addressing you today is we want to encourage you to do whatever you can to choose Pier 31½ as the option for the National Park Service's Ferry Embarkation point. We don't ever intend the relationship with the National Park Service to be adversarial and in fact, I feel that we're both involved in similar activities. They're involved in preservation of natural resources for future generations and the South End Rowing Club is involved in preservation of recreational space.

We've been there since 1873. We're 140 some year old club. Both the Dolphin and South End clubs have long tenure at Aquatic Park. I've been there about 15 years. We're diligent in keeping the costs down. We provide one of the few ways of access to the Bay, unless you own a sailboat or some other means of getting on the water. It actually extends more than that. We have one of the oldest St. Patrick's Day party. We're one of the oldest sports club completely dedicated to sport on the West Coast of the United States.

If we drill down to just swimming and rowing, that access to the Bay, to that particular area, is not only historically important but it's critical to our survival.

We have plaques on our wall that show that we've been doing this Golden Gate swim before there was a before there was a Golden Gate Bridge and before there was an NPS

There should be some acceptance of a historical right to recreational uses of the Bay that are in fact just as important as commercial uses. We don't feel that we're in conflict with the NPS but we feel that by keeping them in an area that's already set up for them -- with parking and hotel so people can walk to the ferry embarkation point as opposed to having to be put on city streets or have to make their own way down to the marina area.

We feel that it would be in everybody's interest to maintain that relationship because if you look at where they're considering, their one choice would be at Fort Mason going to the East End of Alcatraz, just safety concerns alone would force us to truncate or eliminate many of our activities. Thank you for your time.

J.D. Durst of the Dolphin Swimming and Boating Club - We would all love to see some type of resolution favorable with Pier 31½. As Bill pointed out, we've been operating for around 130-140 years in Aquatic Park. We have boats as old as 1880. We've got a fleet of well over 18 historic boats that we use on the Bay. We have over 250 rowers that use these boats every day coming out -- not all 250 every day -- but boats go out every day.

A particular note with the way our boat traffic come close to Fort Mason is that during the time of the bird nesting season from March 15th through July 31st on Alcatraz Island, we maintain a 350 foot perimeter avoidance zone around Alcatraz Island to be in compliance with the Migratory Bird Act. Consequently our boats are going up towards the Golden Gate. I'm not going to go into hydrodynamics of the Bay currents and tides, but frequently we're interfering with fisherman's lines coming off of the piers just to get around the piers in order to avoid the currents.

The reason that I bring this up is that the EIR in studying Fort Mason site has said that there is no recreational use of the bay right outside of Fort Mason and this is obviously not true. I would like to encourage the Board to renew the lease. You guys are doing great work hammering it out. Stick with it. We want to see this all resolved.

Alice Rogers - I also would like to encourage that this work out to stay on Pier 31½. I'm extremely concerned about the traffic impacts of people getting to Fort Mason to take the boat to Alcatraz. It's really difficult to get there on public transit and the last thing that area needs is a lot more automobile traffic. Until the E Line makes its way all the way to Fisherman's Wharf and to Fort Mason, it just doesn't make any sense. I hope the National Park Service understands that and stays where it is.

Commissioner Katz - You can all stay if you want to hear us.

Commissioner Woo Ho - We're going to continue to talk about this subject.

Commissioner Katz - Our procedure is we have people give public comment first before we make our statements and then as we question staff and we actually may make some, have some questions based on the comments that we just heard as well. We'd invite you to stay in here.

Commissioner Woo Ho - I appreciate the presentation so thank you in going through all of the process and details of what we've been trying to achieve with the NPS. The reason that I did request this on the agenda, obviously this topic has hit certain nerves in the community both in the immediate area and we hear some of the recreational users. I'm not a member of the Dolphin Club but I swam in the Bay myself years ago, so I do understand.

I appreciate the recreational swimming. We wanted to hear all the issues on the table. We know this is a sensitive, thorny issue for everybody involved and we want to have an open discussion to make sure that the public as well as the Port Commission and the Port staff are aligned in trying to figure out how to move forward.

You're hearing very clearly that we want to retain Pier 31½. We know there has to be some investment. We know that this is probably the better way to continue but that we need to find, and it is going to get back to the financial side, of a fair way of sharing in this. We're both government entities here. We have the Board of San Francisco and we have the National Park Service which is a federal agency.

Somehow between two governmental agencies, we are not trying to tilt the balance to one side or the other, we need to find out a fair way to be able to make the right improvements so that the visitors of San Francisco being one of the largest attractions, can be made in a way that is attractive.

It's important for all the stakeholders, ourselves, the National Park Service, the communities, are heard and that we do want to hear, we see it in the press, but we want to hear from everybody that has anything to say of why this particular location makes sense. If there were reasons why other locations made more sense, then we should hear those arguments as well, although one of them is obviously a non-Port property.

Our friends at Fisherman's Wharf -- I'm a little surprised that they're not here today -- because I think they feel that the current location is also very advantageous to the visitor and tourist experience all the way up and down the waterfront. It's integrated right now and it seems to work. I don't hear a lot of complaints so we have to just figure out a way.

I'm hoping that our friends from the National Park Service can consider that we at the Port Commission do feel, as fiduciaries have to make sure that we find a fair way to move forward. We understand the rules that you are under

constraint. If you have rules that constrain you in terms of capital investment, then we have to figure out a different financial arrangement that still makes sense. Staff has outlined all the issues.

We know you have other arrangements across the country that seems to have come to some conclusions that could also help us and you know what I'm referring to. There is a way to get there, we just have to really work hard together. We just want to make sure you heard us from. We back the staff here at the Commission.

Commissioner Adams - First of all, I want to thank everybody for coming out but a few things need to be said. I want to thank John and Jay. The Park Service went to the media. That frustrates me. If you've got a problem with the Port, you sit down and you negotiate it. To me, that's pure arrogance. They did not come, and they were putting stuff out in the media that the Port did not want to negotiate in good faith. That's B.S. That's wrong.

If you look at what they want, they want us to just give them the store. We have a business to run. I understand what the community has to say. I expect Jay and John to keep negotiating hard against them. People need to be talking to the Park Service. It's not the Port. We are here. We want them here but we are not just going to give them the store. Sometimes people just want to go along to get along, no. We're not going to do that. They're going to respect us. We want to make a deal that's amenable to everybody but right now they haven't stepped up their game.

The Port didn't go to the media. We haven't released anything out to the media saying, "The Park Service has been unfair." They've said that about the Port. Getting everybody rattled up about going to Fort Mason. We have the best intentions. They need to sit down, negotiate with the Port and try to find something that we can live with.

They want it in their lease where every 10 years where they just roll it over to Port Commission. Now we might not be here in 10 years. This Commission won't be here. They want it to just roll it over automatically and the future Commissioners wouldn't have any say. There's no transparency in that. I can't do that to the fellow Commissioners coming behind. We're the guardians right now of this Port and we have a responsibility. We work for this community.

We're going to work. I'm going to ask these guys here, I support them 200%. I expect the Park Service to step up, stop negotiating in the media. They need to sit down with the Port staff and hammer out something. If you want to make some calls, make some calls to the Park Service and ask them why they're being unreasonable with the Port staff. These guys are being nice. I don't have to be nice. I'm just going to tell it like it is.

I know the guys from the Park Service. They're here. I'm talking to them. Sit down with the Port staff and negotiate a fair deal. You know what you're offering is unacceptable. Don't frustrate us like that. We have a business to run. We work for every citizen in San Francisco and we're not doing our due diligence if we allow the Park Service just to go out ranting and raving and saying things about the Port when they need to step up.

I understand the Dolphin Club. I appreciate what you guys do. I appreciate your support but when you look at it, just don't look at it as the Port's fault. You point the finger at the National Park Service and you put just as much pressure on them as you do on us.

Commissioner Brandon - Thank you John and Jay for a great report. I agree with my fellow Commissioners and we definitely want the Alcatraz Ferry to stay here at the Port. As far as looking at the three options, have we gotten any research on what it will cost to retrofit not only Pier 31½ but also Pier 41 and Fort Mason just to see the comparables? With Pier 41, I know it's leased right now, but when does that lease expire?

Jay Edwards, Port Real Estate Division - With regards to Commissioner Brandon's question on Pier 41, I'll try to address that kind of moving backwards. The lease is on a month-to-month lease, it expired last month so we've rolled it over on a month-to-month lease. There is work that needs to be done to that building and so there has not been a real advanced negotiation or discussion on the cost associated with that.

It's been a selected alternative site but there really been the due diligence on the part of NPS that I'm aware of in terms of specific costs, unless John has something. But we have an alternative proposal from the operator that's there right now and they're proposing to reinvest a substantial amount of their own money into a brand new marine terminal. In fact, Carolyn Horgan from Blue & Gold is here in the audience today.

From our perspective, we have a very viable operator that's been there for 25 years, willing to invest their own capital if you will. There is some seawall work that needs to be done. I hear it's in the \$2 million range. The structure itself is not historic. The NPS plan was to try to utilize that existing facility and add to it which seems a very difficult undertaking. We haven't really spent much time on that particular alternative. We certainly can at your direction if that's what you'd wish.

Commissioner Brandon - I was just wondering - we keep talking about Pier 31½ but then we're also looking at Pier 31 and Pier 33.

Jay Edwards - I'm sorry for the confusion. Pier 31½ is the existing site right now that the landing is located on, on the marginal wharf. Their concession operations are primarily in the Shed at Pier 33.

We proposed to pivot that to Pier 31 to take advantage of the \$7+ million investment the Port's making in renovating a historic shed and have them be a key component to that new development which would enhance the visitor experience. It would enhance the operations. That's one differential in the site plan.

The other piece of it is the Pier 33 Bulkhead which is what you see as you walk up to the site. You'll see an Alcatraz Cafe and an office space above that. That's actually under separate lease and that's a nice revenue source for the Port. We've enjoyed the benefit of that revenue. What NPS has requested is that they take over the control of that bulkhead building which is of course the gateway. They want to improve the visitor experience.

After a lot of back and forth deliberations about the costs as Commissioner Adams has urged us to do, we thought we can give up control of that site but it is important how it's done and who pays for that. We've had a discussion on those costs associated with that renovation of that piece.

Commissioner Brandon - I think there probably needs to be a lot more transparency in how our dollars are being spent to make this happen wherever it happens. It would seem that we would look at how much it would cost to do it at Fort Mason versus Pier 41 versus Pier 31½ and include that in the whole proposal instead of just focusing on what the Port can do to keep them here, which we all want but we all have to be fair, as my fellow Commissioner said. Thank you for bringing this to our attention but I hope that the public not only questions the Port in what they're doing but also NPS in how they're handling the situation.

Commissioner Katz - I too concur with the remarks of my colleagues and Commissioner Adams said it well. I wanted to correct a misunderstanding that's out there that the Port doesn't want to negotiate. On the contrary, the Port has raised this issue many years ago that we needed to start negotiations to continue this concession at the site. The Port has consistently wanted to be at the table.

We want to reiterate that we continue to want to be at the table and to continue to negotiate but we do have an obligation to all San Franciscans and all people that utilize the waterfront to make sure that we continue to fund a variety of obligations and not prioritize any one over another.

That's been a big concern and perhaps it's the law of unintended consequences and the Park Service may not have realized that that's in fact what some of their terms would be doing which would require work to be done at this site over some of the necessary work at others.

As we go forward, we can certainly reach some agreement that's fair and reasonable but would allow the Port to utilize their very scarce resources as was pointed out in our staff report for a variety of projects, not the least of

which is ensuring that we have recreation activities on the water for all people to utilize.

That's our obligation as Commissioners that we take care of everyone that utilizes the waterfront, all across the board. As stewards of this precious resource and with scarce resources to do so, we need to strike a balance.

I do want to read a couple comments and perhaps the two of you come back on that, but in the staff report it states that, "We've struggled with the structure that's been put forward. And that in order to move forward we will be assuming some ongoing maintenance but the Park Service has seemed to indicate that they want to transfer significant obligations from the Federal Government to our local government, i.e. the Port, and that this places a significant burden on all of us here."

I think that was not the intent of some of the negotiations. Perhaps you can address if there's been some movement on that or some backing off of such a Draconian position so that we can start to move forward and reach something that would be reasonable particularly in light of some further analysis of the agreements that have been entered into with the Statue of Liberty and Ellis Island where those are indeed shorter term leases.

They do seem to adjust for fluctuations in revenue and not put a cap on revenue that the Port would have for not only improving the site and the cost associated with it, but as things change.

John Doll - I'm not sure exactly what the question is at this point.

Commissioner Katz - I was making a statement. I'm assuming you don't disagree with the points I just made.

John Doll - I don't disagree. We have looked at the Statue of Liberty as being the best comp for a variety of reasons, one of which is it's a ferry service to an iconic location. Also that the revenues generated at the Statue of Liberty is very similar to what is generated at Alcatraz. Not surprisingly, or maybe it is surprisingly, the same operator. Hornblower is the ferry operator both of those, at both Alcatraz right now and in New York.

We have looked at the Statue of Liberty; however, we don't have all the documents. We asked NPS staff for some documents. We received some of those. We asked our consultant Libby Seifel of Seifel Consulting to do Freedom of Information requests and to really see if we can understand the deal. She has put together a matrix of all the various agreements. Even within that, there are still some questions that we still have. For example, how the Capital obligations are taken care of. That is part of the information that we still do not have. We've told this to the National Park Service and they're doing their own search and see if they can find the answers for us as well. Maybe in the next few weeks we'll be able to get more information.

Commissioner Katz - It seems like that might be a good starting point then.

John Doll - It is the obvious starting point.

Commissioner Woo Ho - We see lots of projects on the waterfront. Not all of our tenants or master developers know what the financial future looks like. However, this is an operation that we know is successful today. You know what the revenue is. It's not going to go away. Alcatraz is going to be a constant. The tour cycle does go up and down a little bit with the economy.

At this point, the National Park Service has not been able to explain to us why they cannot come and share some of that financial benefit with us in the sense that this is not a pro forma forecast of what is going to happen. They already have a track record. We're asking them to say that if we want to continue this that we need to figure out how to pay for this together. If they can't put money directly into capital investment, then they can give us more of the revenue.

As you've mentioned, they share more revenue with another existing iconic site, the Statue of Liberty. I'm glad Commissioner Katz mentioned it. I don't understand why there isn't transparency, why they cannot voluntarily show us the documents on the Statue of Liberty. We're both public agencies. We're both subject to public scrutiny. There are all the legalities, the Freedom of Information Act.

I don't know why we are not collaborating to share the information so that we can do this together instead of going through this tortuous process that we're going through right now. It's not a very positive experience, at least from what we're hearing. If they have some things that they haven't shared with us, then we should hear that. It seems like they're withholding information and that's not a very positive way of going ahead and doing business on any account.

Commissioner Adams - I wanted to follow up on that. That's something the public didn't know. We've been getting briefed about this. We've been requesting these documents for months and months and they haven't come.

If somebody tells you they want to get an agreement by July or August, they would negotiate in good faith. We've asked for documents and we've been waiting three or four months. That sounds like they're stalling. They're not negotiating in good faith because if we have some documents, we're going to turn them over. They're not forwarding the documents. That's something that the public doesn't hear. You wonder how serious they are about wanting to get an agreement.

I don't want the ferry to go to Fort Mason. I want it to stay here. I want them to man up and take care of business and sit down and negotiate with the Port. John Doll and Jay --this is not their first rodeo. They did the new cruise terminal. These guys are more than competent. All they need is the

information and the Park Service refuses to give us the information we need so we can sit down and get a good deal. Then they run out to the media and say, "The Port doesn't want to negotiate." You need to hear the facts. You need to know the truth. You're hearing one side and it's being twisted in the media. We want an agreement. We want them to provide the documents that we need. We want a fair agreement so everybody in the city gains by this.

I know that Supervisor Farrell and a lot of people don't want it in Fort Mason. I don't want it either. I want it to stay right there. I think it's an icon on our waterfront. We've got the cruise terminal down there. There are 27 million visitors that come to San Francisco every year. This is an iconic city. We're a city with the Midas Touch. I want that. I want it to be right there but I want them to be fair and negotiate an agreement. I want you to know the facts that these guys are trying and the National Park Service is holding back and not negotiating in good faith.

Commissioner Katz - I think we've put the point on it. Those of you that came and spoke today, we would urge you as, you probably heard the directive, to urge the National Park Service to step up to the plate here. We're not being unreasonable. We don't want to get any kind of sweetheart deal but we're stewards of the waterfront and we want this to be fair for all parties involved and there certainly seems to be a path forward that we can reach that. I know John and Jay, and you'll get there for us.

Commissioner Brandon - We have confidence.

Commissioner Katz - Thank you everyone who showed up today.

Commissioner Woo Ho - We want to thank the National Park Service for coming today to hear us too. I think it was important that you hear our message as well.

C. Informational presentation on public process participation and schedule for the update of the Waterfront Land Use Plan.

Diane Oshima, Planning and Development - Last month, I made a lengthy presentation on the public comments that we received and the proposed process going forward to update the Waterfront Land Use Plan, the Port's Master Land Use Plan for all of its properties.

The public participation element of that public process is probably the most important thing to make sure that we refresh and have a citywide and regional understanding about the issues that are facing the Port and the kinds of balancing of which the last item illustrated that. The Port Commission is charged with balancing a number of competing public objectives to improve the waterfront. We want to make sure that we have good public participation.

This presentation is focused on responding to direction that we received from the Commission at the last meeting to fortify further the public process. I'd particularly like to thank President Katz for your help and guidance on this.

What we heard from the Port Commission comments last month was that we had proposed a Waterfront Plan Working Group, as shown on this slide that had a series of different perspectives that would be represented on about a 30 member Waterfront Working Group that would be appointed by the Port Executive Director Monique Moyer.

What we heard from the Port Commission was that we wanted to broaden that participation further and so what we have proposed in this staff report is that broadened participation structure. As initially proposed, we do propose having an appointed group created by the Port staff through Monique Moyer of the Waterfront Plan Working Group. The perspectives that would be represented on that group are depicted in the slide that I won't read each one of them, but they are intended to embrace the full breadth of interests and perspectives and needs along the San Francisco Waterfront.

What we have done is to become a little more specific about how the slots would be apportioned across the perspectives and then in addition, to supplement the Waterfront Working Group with a series of proposed Waterfront Plan Advisory Teams. The Waterfront Working Group itself, we have suggested that there be 30-32 members on this group. They would function as a passive body whereby we, the Port staff, would convene these people. We would be able to have open exchange in public meetings that any member of the public can attend.

Of those 30-32 seats, two to four of those seats would be apportioned to staff members of BCDC and the State Lands Commission. We want to make sure that our partners on the Public Trust Agencies are there at the table from the very get-go. Thirteen of those seats would be apportioned to the various waterfront perspectives that are indicated on this slide. From Maritime Commerce, Resiliency, Public Access, Financial and City Economy, Cultural, Institutional – that gives you a taste of the diversity of the interests of that.

We also wanted to make sure that the membership was open so that we could invite members from a citywide audience, even those who are on the west side of the city, may not be as familiar with what's going on at the Port, in order to be able to educate the public very broadly about what the waterfront means in the context of the larger city as well as the Bay Area region.

We have allotted 10 seats of this Waterfront Working Group for citywide and regional perspectives. Some of those people may or may not have previous experience or knowledge particularly about the waterfront, but our interest is to try and educate and make sure that the associations that they have with

community organizations, that they can provide a conduit and that way we would be able to expand an understanding and knowledge about the Port of San Francisco Waterfront.

We would also have five seats that are attributed to liaisons from each of the Port's existing Port Advisory Groups because they hold so much institutional knowledge about what has gone on in different sections of the waterfront that we wanted to make sure that was included in the mix but to be able to supplement and create an opportunity for even more people to participate in the process than just these 30-32 people at your direction, we have proposed a Waterfront Plan Advisory Team Complex where we recognize that San Franciscans have a large breadth of knowledge.

There may be a number of candidates who would like to get involved in the process but do not have the time commitment available to follow the full 18-24 month Waterfront Plan process but they might have source, issue specific information that is helpful to this process in the areas of Resilience and Recreation and Open Space in Transportation, in Urban Waterfront Design and Plans, in Labor and Workforce interests along the Waterfront as well as the Financial and Capital and financing tools that the Port Commission should be considering.

We have proposed creating Advisory Teams that are focused around those additional topics so that people that have a background in that and want to participate, there's a place for them to do that without necessarily having to be on board for every meeting over the next 18 months to 24 months. All of this work on the public process for the update of the Waterfront Plan would be done in concert as well with a City family team so that we are working very collaboratively with our sister agencies here in the City and with BCDC and State Lands.

That's the broad framework for trying to put this together. In order to provide for people to have tossed their hat into the ring to participate in the process, we are proposing outreach in a number of ways. One in which we are scheduling briefings with each of the members of the Board of Supervisors so that they know in general what the Port's efforts are to update its plans.

It also enables us an ability to have a conversation with each of the members of the Board to outreach to each of their districts to see if there are constituents or interested members of the public that might want to be involved in the Waterfront Plan Update process.

In addition, we intend on making an online submittal process available to the public so that anybody from whatever their background is who has an interest in being considered for being appointed to the Waterfront Plan Working Group, and/or the Waterfront Plan Working Teams would be able to submit their own submittals to the Port staff so that we can catalog all those that are interested and then from that as well as other suggestions that we

might get from the Board of Supervisors or others We can take all of those candidates into consideration before naming the Waterfront Plan Working Group and the Advisory Teams.

Our proposal is to take the summer to run through that whole recruitment process. That would involve shifting the schedule on the start date of the Waterfront Plan Update process back by a couple of months. Last month we had proposed that we would start the public process in July. We're now proposing that we move that back and start it in mid to late September and that would give us time between now and September to do this recruitment process to get the Waterfront Plan Working Group and these Advisory Teams in place.

I think that I hit all of my points in terms of what the Advisory Teams are intended to accomplish for us and then our schedule would be from June, next week we intend on opening up that online solicitation so that people can submit their interest in either of these groups through July 17th. We are proposing July 17th as the deadline.

From July 18th on through September, we'll take that time to try and get them placed so that they're in a position where we could announce that to the Port Commission and the public in the early/mid part of September and then start our planning process from there.

We intend on scheduling some water tours and land tours to orient people to what is the Port of San Francisco in mid to late September and then start on a number of the orientation and Port-wide issues in the public process in October.

This calendar is pretty much the same as what we had presented to you last month. The one change has been the addition of a segment to talk about the Port's Maritime industries and Maritime commerce which we are proposing to insert in November. The idea here is to give a briefing and an orientation from October through May of next year and be able to progress on to policy discussions with the working group to develop recommendations, preliminary recommendations for the update of the plan.

From October through June of next year, we expect to also be convening those Advisory Teams in each of the topical areas that align up with the topics as they are scheduled to be discussed with the working group over the course of later this year into next. Our intent is to get a homogenation of the Advisory Team input, bringing it forward to the Working Group meetings, to be able to have public discussions and exchange about what the choices are for the Port. The Working Group would then be in a position to engage in some of the policy preliminary recommendations for next year.

One other thing about this schedule, there will be scheduled points in the process where we anticipate coming back to the Port Commission with

briefings on the discussions that have happened in the process to date. They've been scheduled at points where we think that there are going to have been strategic discussions with the public about how we manage our historic resources, our Open Space and public access along with our business needs and being able to come back to the Port Commission to get your input further before we progress on to developing recommendations with the Working Group.

In October of next year, we would be reporting back with the developments in the Working Group discussions to date. In early 2017 we would be coming back with some further recommendations about the subarea planning that we have proposed to take place for the Northeast and South Beach Waterfronts. Thereafter we would wrap it up into a package of proposed updates to the Waterfront Plan that would still have to undergo CEQA Environmental Review.

That is the update and we again appreciate the thought and the direction that the Commission has provided us so that we can have emboldened public participation process. We also are planning on supplementing our outreach efforts both in terms of digital magazine issues and then taking advantage more boldly through social media through this process as well.

So I would appreciate any comments and suggestions. If this is acceptable then we would be prepared to start the recruitment process starting next week.

Commissioner Katz - For a process, that's going to be fraught with public participation.

Commissioner Brandon - Thank you Diane for such a wonderful presentation on the process and the schedule. I'm happy to see that we're using social media and we're going to have the online process. That's wonderful. Can you just tell me a little bit more about how we're going to do outreach to get a wider city participation?

Diane Oshima - We have expanded the number of public presentations that we've made on the Waterfront Plan, not only through the Port Advisory Committees but we have briefings scheduled for the Historic Preservation Commission next month and with the Board of Supervisors. The social media is something that is available to us with the expansion of Port staff and the communication functions with Tiara Earls helping Renee Martin out.

We have scheduled briefings with SPUR, with a number of the community organizations with citywide draw, the numerous Chambers of Commerce in the city. We look forward to the Commission's suggestions on people who are interested and want to have more information on this. We have been spending a bit of time going out into the community and trying to balance that with actually the mechanics of getting the process up and running.

Commissioner Woo Ho - Refocusing a little bit from what Commissioner Brandon said, you guys really took what we said. It's been amazing to see all the work that you've done to expand this. Now that we've expanded it and when I counted it, there are almost 80 people involved in the Working Group and the Advisory Committees.

My concern is how to make this process operable, as I go back to my days in corporate governance. All of a sudden you have so many people involved. It's almost hard to get funneled and move it forward so that it isn't like everybody is just twirling all the plates and you can't seem to get them to settle in a consensus or conclusion.

I noticed that some of the expertise of the Advisory Team areas overlaps with what you're looking for on the Working Group. I made the suggestion last time of creating subcommittees and you definitely heard it by creating Advisory Teams of specific expertise that don't have to be called into every single meeting.

When this Waterfront Land Use Plan was done in 1995, how large was the group?

Diane Oshima - There was a Waterfront Plan Advisory Board at the time with 27 members so we're in the same ilk. There were periods at which there were subcommittees of that Advisory Board and there were invited guests. We had Open Space presentations from developers about what it took to do development on the waterfront. We had a series of presentations from Maritime industry experts or operators to educate the Port staff and the Advisory Board.

There are a lot of similarities here and it is good to point out that there is a very intentional overlap between the makeup of the proposed Advisory Teams and the perspectives on the Waterfront Working Group.

Commissioner Woo Ho - I appreciate what you're trying to do here but it's also hard when you get 80 plus people with 80 different minds and linking the thoughts and the synthesis. It's an awful burden on staff to figure out how to herd the sheep or the cattle. It's a very difficult task to move forward otherwise you're stuck for a long time in trying to move forward.

My suggestion is that the Chair of each Advisory Team is also a member of the Working Group so they'll have to sign up for doing a little bit of double duty. As you noted, not everybody on the Advisory Team may have the time to participate. Otherwise you'll have the Advisory Team saying, "We want to do this." And then you have the Working Group saying, "On that particular topic, we want to go over there." There's a big disconnect and you're going to spend a lot of time trying to figure out how to connect them again. You need to figure out how you make the connective tissue between all these various

people, and aspects and backgrounds. If you don't have a process or structure, it is going to be extremely difficult.

Diane Oshima - I fully appreciate what you're saying.

Commissioner Woo Ho - You need to figure out how to streamline that a little bit. Even in some cases, if there are people who want to be on the Advisory Team in a particular area, you don't have to necessarily have the part-timers. Keep it as concise as you can but as broad in terms of representation.

Diane Oshima - Absolutely.

Commissioner Woo Ho - It's very hard to design a blueprint with 100 people. Everybody has their own point of view and mind, so there's got to be some executive decision of moving along to get more of a consensus. It does seem that you're asking people to make a commitment. If you have somebody who's enthusiastic today and this is an 18-24 month, they show up for the first few meetings. Then they don't show up after a while. It seems to me that you need to tell people up front, "If you don't attend X number of meetings, you're out." You have to have people who are committed. It may turn out that they have something in their life that changes, or they're travelling or something happens. They have illness. They have family issues. You have to have an alternate pool or you don't replace. You need to think through all those things up front. People need to know this is very serious and it isn't something that they show up. After six months they lose interest, they don't show up anymore.

You need to have quorums. You need to have your meeting consistency and you're only excused X amount of times. We can't be excused from our meetings here very often, otherwise we would have issues to make this Commission work. The same thing with this. This is a serious Working Group. We want to make it serious and not just, "Oh, I come and I sound off about something that I'm concerned with on the waterfront."

There's got to be more structure and operational process. I'm sure you'll get there but this is my only opportunity to say something so I'm going to say it now. I hope that you can some of that and figure out how to make these dots work better and take advantage of the overlap and everybody has to be distinct dots out there. If they can multi-represent district expertise, that's great.

Diane Oshima - They're very good points. I will just share with you that some thought about that has gone into that structure already. Your comment from the last meeting, "The thousand flowers." I love that term. Because that's exactly what it is that we have to try and manage.

First of all in attachment one in the staff report, we have put together some information about roles and responsibilities. If there's somebody who wants

to be on the working group and on the Advisory Team that mix and match, we're very open to that.

There might be four to eight people on these Advisory Teams but it's going to depend on what the level of interest is and what submittals we get. We want to have them placed in time so that they can be present and we would expect them to attend the orientation sessions that we've got in the beginning part of the process so that we're all starting from the same place.

There are a number of thoughts in motion that are responsive to exactly the direction that you're giving us.

Commissioner Woo Ho - I'm suggesting that whoever chairs the Advisory Team, also be a member of the Working Group so there's communication connectivity and that person will know the bigger picture. You're talking about something very technical and specific in the Advisory Team and you need to know how that piece of the puzzle is going to fit into the bigger puzzle. If you don't have somebody who's working on the specific that the other teams are working on or the thought of the Working Team, it may or may not be compatible. It's good to know instead of them going down a path and then all of a sudden realizing, "Well, that piece isn't going to fit in the puzzle very well." They need to know the bigger picture. So you have to have one person that can help guide the rest of the group.

Diane Oshima – You're absolutely right.

Commissioner Katz - I think we had actually talked about that there would be at least one member of the advisory team that overlapped on both that would carry that information back to the full body

Diane Oshima - Right.

Commissioner Adams - I understand what Commissioner Woo Ho's saying but I look at it probably a little bit different. This has been pretty well thought out. What we really want is transparency and probably what I was going to ask you is, "Is it manageable?" Because evidently, you wouldn't present this to us if you didn't think this was manageable to do.

I'm thinking of where the Port was 20 years ago and where we're at today, we're in two different places. This is a different Port today than it was in the '90s. This is 2015 and this Commission has been hammering day in and day out that we want more community participation and that's important. Corinne and others come to every Commission meeting because they care about the Port.

Some people only come when it's an issue regarding them and then you never hear from them again. But Corinne, she's here time in, time out,

hammering, banging and she's a true soldier. Corinne's like a Navy Seal. She keeps hammering and I like that.

I understand what you're saying Commissioner Woo Ho and the two sisters that are here there, they're doing it, working the community. Because a lot of people had to think about this, and with technology we're just a different place in the world where we were in the '90s. Is this manageable? Because to me it sounds like it's manageable.

Diane Oshima - It's a full plate but we didn't propose it to think that we couldn't manage it. It is about setting expectations and understandings up front so we do intend on doing that.

Commissioner Woo Ho - Commissioner Adams, my point was to figure out how to make it manageable. I think they have the faith that they can manage it. I'll relate to some of my own corporate experience. When you have worked on large teams, you have to figure out a way to make it somewhat functional and manageable and move it forward.

Commissioner Adams - I understand.

Diane Oshima - Thank you very much. I appreciate that.

Commissioner Brandon - Diane did a great job of that the first time.

Diane Oshima - That was my dry run.

Commissioner Katz - I bet you didn't think you'd be back at it again.

Diane Oshima - No, I did not.

Commissioner Katz - Diane, thank you so much. I certainly know how much work has gone into this and I know we've chatted quite a bit about some thoughts and ideas. My colleagues have put a fine point on it. In terms of the categories or areas of specialties, as people look at those, clarifying that there may be more than one category that people fit into. That may be something that will be helpful and useful. There are many people that might hit multiple spots even the city and region wide representatives may also have some expertise.

There may be some overlap there. In terms of distribution, we talked about that and that's certainly a goal. I know Tiara has been a wonderful addition to our team to help us increase our outreach. It would be helpful for all Port staff, and Commissioners as well, when this goes out to give us all notice that we can then distribute to our various contacts and folks as well. Perhaps even on the Waterfront Advisory Groups. I certainly know for myself that my friends are paying much more attention to the waterfront than they might have previously and having that connection. They do express interest to me

directly on how they want to get more involved. That may afford us an opportunity to get some broader distribution if we all send out to our people or even, as Commissioner Adams was pointing, technology has changed. We can post it on Facebook and other things, on our pages as well. We might even want to put something on the application form, "Please feel free to distribute this form to others."

Diane Oshima - That's a good idea.

Commissioner Katz - On subpart two where it says, "Please review and indicate which Working Group or Advisory Team," here we should say, again, "Note that you may apply for one or both, but indicate your preference if you're only selected for one."

Just so that we add a little bit more clarity that people can apply to do both but they might only get selected for one, we'd want to know their preference.

Commissioner Woo Ho - So can you also clarify, are you going to accept everybody who applies?

Diane Oshima - I don't think that we can make that commitment.

Commissioner Woo Ho - I'm asking the question to know.

Diane Oshima - We weren't really anticipating that we'd be able to accept everybody unless we had a fewer number of people express interest than we thought.

Commissioner Woo Ho - That's important just as you put this out that people know that not everybody that applies will automatically get on the team because you will be going through and looking at their backgrounds and their resumes. If you have too many expertise or representatives regionally, then you're obviously going to pick and choose. Be up front about it so people don't complain about it later.

Diane Oshima - Good point. Thank you very much.

D. Informational presentation on the mixed-use development project for Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park.

Phil Williamson, Project Manager for the Seawall Lot 337 and Pier 48 development project, - Since executing an Exclusive Negotiation Agreement in September of 2012, Seawall Lot 337 Associates, our selected development partner, also known as the Giants, working with the Port and City staff, have negotiated a non-binding Term Sheet with proposed financial terms for the lease and development of the site. As you recall, the Port Commission and the Board of Supervisors unanimously endorsed and approved the Term Sheet in the spring of 2013.

As described in the term sheet, the Port and developer have proposed a mixed-use neighborhood with appropriate height and density to create a vibrant, walkable, fiscally feasible neighborhood with new and expanded parks and Open Space. In June of 2014, the voters of San Francisco passed Proposition B, whereby development of Port property exceeding existing height limits will now require voter approval in addition to the typical standard regulatory approvals.

The proposed heights for Seawall Lot 337 are subject to this requirement. Last November, you passed Resolution 14-60, amending the Exclusive Negotiation Agreement (ENA) to provide an appropriate amount of time to accomplish the steps now required by Proposition B. Over the past six months, the Giants have reexamined the proposed heights and program for the site and today Jack Bair will provide an update including plans for presenting the project to the voters in November.

Jack Bair, SF Giants baseball team and Seawall Lot 337 Associates - After the passage of Proposition B, last June, 2014, we decided to take our time and take a hard look at our project and not go directly on the ballot.

Since June of 2014, we've conducted a series of focus groups and polling and discussions with community leaders and most importantly, many meetings with Port staff and the Mayor's Office staff to discuss possible revisions to the plan that Phil mentioned had received unanimous endorsement from the Port Commission and the Board of Supervisors back in 2013.

The polling and the focus groups suggested that there was a heightened interest in heights along the waterfront, obviously as an outgrowth of the Washington Project and the Prop B campaign. But at the same time, there was recognition of trade-offs and needs in the city. For example, housing on transit corridors and building more housing involves perhaps increased heights and the trade-offs that come with permission to go up higher in terms of parks and Open Space.

The focus groups and polling were encouraging to us. The residents and the respondents to the polls did recognize these various issues and so after this process, we decided that we should put the measure on the ballot for November of 2015 and the plan that we're putting on the ballot is consistent with the plan that you've seen throughout this eight year process.

When we started in 2007 with Commissioner Brandon and then Commissioner Lazarus, they had a subcommittee back in 2007 to determine what should go on this site. There were established a lot of values that the Port wanted to see in the development and the community wanted to see in the development. We were loath to change any of those basic values as we move forward but we did modify the plan in view of public sentiment, reducing heights to several of the buildings, but staying within the Term

Sheet parameters that we had negotiated with the Port so that the economic performance of the project fell within acceptable levels to the Port.

As you can see, the parking lot is the surface parking lot now, Lot A. This is the site plan that shows 11 different building sites on Parking Lot A. The parking will be all collapsed into a structure which is on the south side of the site. Also, there'll be parking underneath the Mission Rock Square which is the park in the middle.

Parks and Open Space. From the very beginning in this process, it was determined that we should have a major waterfront Open Space along the China Basin Channel. This is a visual representation of that Open Space. I'm sure it will continue to evolve as we move forward but it has been discussed at length and it features a lot of different components that the neighborhood and the community would like to see in the major waterfront Open Space.

It also features a square in the middle of the project which can serve as the neighborhood hub. Also a value was creating a place within Mission Bay that was akin to many other San Francisco neighborhoods. If you talk about Noe Valley, you talk about 24th Street. You talk about Chestnut Street in the Marina. You talk about Fillmore Street in the Fillmore, where residents and workers that are nearby can go get their dry cleaning, grab something to eat and socialize with their neighbors.

In Mission Bay, there really isn't that place yet. One of the things that we heard over and over from the neighbors and the community is that, "We want to create something." This is an opportunity at this site to do that. This square is meant to be the social hub in Mission Bay and surrounded by retail and restaurants and serving as a public gathering space.

This rendering depicts the feeling and atmosphere that we want to create throughout the district to make it feel much more walkable, much more intimate. Our building sites are about half to a third the size of a typical Mission Bay site. There are different building heights and more diversity in building types and a more walkable urban experience is what we are advocating.

We also had to find a use for Pier 48. We're really excited to be working with Anchor Brewing and Distilling at Potrero Hill. They're going to stay in Potrero Hill but they're going to expand their operation to Pier 48 and keep all those jobs in San Francisco. Anchor is the largest manufacturing business in San Francisco right now and it is going to grow significantly with this move as well.

The site plan is largely the same as it was in 2013. The only difference is the heights. Some of the buildings have changed.

In the positive directions, D-1 was created which is a housing site that is along Third Street of the Parking Garage to the South of the site. Seven of the other sites have had height reductions. Site F for the EIR process was 380 feet and it has been reduced to 240 feet. Sites A, F, and D are all proposed to be 240 feet. Any building above 190 feet is all housing and the housing is anticipated to be rental housing. All the housing will have inclusionary affordable at 33%.

The building heights above 190 feet, up to 240 feet, only constitute 3% of the site itself. All the other buildings are 190 feet or less. The buildings along Terry Francois Boulevard range from 90 to 120 feet as they step down to the water. We're very happy with how this has shaken out in that we are going to be able to accomplish all the goals, financial, housing on transit corridors, job creation, Open Space, historic preservation -- that we set out to achieve from the beginning.

Today the initiative is being circulated. The signature gathering is underway and we're in the process with meeting with groups all over the city. We've met with the Mission Bay Citizen's Advisory Committee and the Central Waterfront Advisory Group. We're meeting with the Rincon Point, South Beach, Mission Bay Neighborhood Association in June. We'll be meeting with groups and political clubs and stakeholders throughout the city as we launch this campaign effort.

Marita Pietza - The city contracted with SPUR in November 2013 to do a feasible study on Mission Bay regarding rising seas. That two years will be up about two weeks after the November election. We don't know what they're going to find. I know part of that committee is a Dutch engineer. He certainly will know what to do. I was hoping that somehow, that report or whatever the results are could be wound into this project. I haven't heard what's going to be in that report but the timing is a little off.

Corinne Woods - I am co-Chair of the Ports Central Waterfront Advisory Group and I also Chair the Mission Bay Citizen's Advisory Committee. I've been working on this project for eight years. The new plan is very consistent with what we've done over the last eight years. The Giants seem to think that it's going to be financially feasible for the Port, that's the key of course. I do support the project. I think we should move forward. Hopefully the voters will agree in November. On the issue of Sea Level Rise, the SPUR Mission Creek Pilot Project that the Dutch engineers have been involved with. I heard from SPUR just last week that we're supposed to get that report in the next month. I know that the Giants have been at the table during those discussions and they have addressed what they consider to be the key issues that we're going to have to be looking at on Sea Level Rise in this project.

Commissioner Woo Ho - Thanks for the presentation and update. In contrast to the earlier iteration, the amount of housing is more than it used to be.

Could you expand a little bit more in terms of the number of housing units and the type of housing that is now in the new plan, even with the lowered heights?

Jack Bair - We expect about 1,500 units to be developed on site. There is some variability here because it depends on the size of the units and also there are flex parcels. In the presentation there were three sites that either could be commercial or housing. Depending on how we organize those sites which are H, I and J, the housing numbers can fluctuate from 1,000 to 1,950 units. The sweet spot is around 1,500 units which would be 500 that would be affordable.

We're gaining some units on D-1 and we're losing some square footage in other places where we've reduced the height. We're still at a level which we think is pretty significant for the site.

Commissioner Woo Ho - Could you comment on the reduced footage height in terms of the overall impact of the financial aspects of the project now, both from your perspective and the Port's?

Jack Bair - The term sheet parameter was about 3.6 million square feet overall. What we began to analyze in the EIR was a little bit north of 4 million square feet. We've reduced what we were looking at in the EIR down closer to the 3.6 which was the parameter that was used for the term sheet. Frankly, the parameter that we thought was politically realistic as we went through the process.

If we didn't stand for an election, we'd still have to go through the whole City entitlement process and we believe that there was going to be some changes in the heights that were inevitable through that process. What we have put on the ballot is in excess of 3.6 million square feet, so it fits within the term sheet value and that was one of the things that we held dear to.

Commissioner Woo Ho – It sounds like at this point we're not impacted based on the term sheet at least. It sounds like it's within the parameters of the term sheet.

Jack Bair - Obviously we want to achieve more height here. In the Pier 70 project, there was a 90 foot height limit. We did a lot of focus groups and polling to determine what was politically acceptable here. We're attempting to solve for a lot of different issues on site, one of the most important of which is that the Port is receiving the rent and the economics that it expects but also to address the housing issue, to address the Open Space issue, to address the affordability and affordable housing issue.

We're trying to thread the needle with all of those. In the end we believe that what we've presented to you is a smart and thoughtful proposal that does

achieve all of those goals, but also puts a nod or responds to the atmosphere that exists in our city right now.

Commissioner Woo Ho - On the open space I guess there's no change in terms of the amount of open space that was originally contemplated - a five acre park?

Jack Bair - It's about eight acres of open space in total. Because the park on the waterfront edge, there's the central square and there's also a wharf between Pier 48 and Pier 50 which will also be an important open space in the project.

Commissioner Woo Ho - The last question I have is related to the parking structure. I know we had a fair amount of discussion on how many stories and etc. and number of spaces. Since the last time we've talked,, traffic and parking are big issues in the city right now. Has anything changed?

Jack Bair - It's largely consistent with what we've always been showing you. We have the ballpark need to take care of. We also have the needs that are created by the development itself. We believe we have to have a responsible amount of parking to address those uses but at the same time not an excessive amount of parking that we don't need.

Our goal is to manage the parking resource so that we have 2,000 spaces on game days. We can manage that in different ways because we can price things differently. Right now, we have commuter parking on Lot A and on game days for a 7:15 p.m. game, the vehicle has to be out by 6:00 p.m. or they get charged for the game rate as well.

On game days, people don't want to incur the additional charge and they move their car before 6:00 p.m. We have the 2,000 spaces that we need for the ballpark, but we're also using 500-700 of those spaces now for commuter parking.

The management effort for the parking structure will create the need of spaces for the ballpark and it also will manage the need that's created on site with the new development. The parking structure was the subject of dozens of meetings with MTA and with a parking design firm and talking about how the structure can operate optimally.

Currently on Lot A, we have two entrances and exits. Only two points where you can get out or get into the lot. We have five in the structure. The structure will operate as efficiently as the street system will allow as we leave events. The new development itself, when people leave ballpark events will serve as a distraction in a good way so that it meters when people come and when people leave so we don't have as much crunch events.

Commissioner Woo Ho - How's the pop-up operation going?

Jack Bair - It's going well. The weather in May has not been as good as in April. As you know, it is weather dependent. Some of the components have done extremely well and others are struggling a little bit but it really depends on the weather. I think the community has really embraced it. I see people there all the time that live or work nearby and I think it's been a really welcome addition.

Commissioner Brandon - Thank you Jack and Phil for the presentation. Commissioner Woo Ho has gone through my list. Open space, financials, affordable housing and parking. I think you've covered it all. Thank you.

Commissioner Adams – For the Pier 70 project, Forest City went first to the voters. You guys kind of held back. I kind of make that reference to the wildebeest in the Serengeti. The first one goes across and if the crocodile doesn't get them, the rest of them go across. It's true. The voters will tell you. Was there a reason? Did you guys think about that when Forest City did that? I appreciate you guys having the political courage to go to the voters, because they'll tell you and they will do the right thing. Was there some strategy in what you guys were thinking when that happened or you just wasn't ready at the time?

Jack Bair - Partly, this was a period in time that we weren't sure was the right period to put something on the ballot because Prop B had just passed and there was a lot of sensitivity to heights. Our project was trying to achieve more density and more height and so it makes sense, when you think about it, that the Pier 70 project went first with lower heights and that we follow after a lot of painstaking analysis, with the plan that we had.

Commissioner Katz - We thought it was just because you wanted to win another World Series.

Jack Bair - Well that does become a little of a good distraction for us at times. But overall, we wanted to take our time and go through the process and think hard about this before we cemented something and put it on the ballot. If we had done it in November of last year, we would've had to throw it together fairly quickly, not knowing what the outcome of the election would be for Prop B.

When you think about it, that election was held in June. If you're gathering signatures, you have to turn those signatures in July. We would've had to anticipate what the outcome of Prop B was going to be, and also determine what the environment would be in November. We thought it would be more prudent in our case to wait, do more analysis, touch base with more people, and proceed when we were ready to proceed. This was the next election, the next possible election to move forward with and we're ready for it.

Commissioner Adams - At our last Port Commission meeting, affordable housing was at the forefront of our discussion. Bevan Duffy was here talking

about the homeless problem. People work in San Francisco but they can't afford to live here.

What is the percentage of affordable housing for the approximately 1,500 units? I get confused sometimes when people talk about affordable housing. Is it for the poor? Is it for the working class? Is there a certain income level? I try to get that information so I can understand it, but people that have lived here their whole life, generations of families should be able to live and work in the City. We have a lot of income in the city but there has to be a balance. I still think that regular people ought to be able to still live in this city and the city ought to offer something for everybody.

Jack Bair - We agree. We're doing the affordable housing on site so that the wealthier tech worker is living next to the single parent who is struggling to make ends meet. We've defined affordable housing to be, in the initiative, as going up to 140% of AMI. Traditionally affordable housing goes up to 120% of AMI.

The Mayor's office and many stakeholders have talked to us including the teacher's union about raising it to 140 because right now, the teachers for example, can't afford to stay in San Francisco. They can't afford the rents but they also don't qualify for any subsidy under affordable housing. We have a unique situation in San Francisco. What we did with the initiative was we left it open ended to be determined exactly what the mix is, but we didn't want to rule out or turn our back on anyone. We define it as up to 140 AMI so that nurses and teaches and other working families would still qualify under that formula.

Commissioner Katz - That was actually my question, what was the definition of affordable? Thank you both for your presentations. Has the sequencing changed at all under the new proposal in terms of where we'll start first?

Jack Bair - No, it hasn't. We're not exactly sure of the sequencing because we are responding to market to a certain degree and we're both taking risks together as we go and we're making joint decisions with the Port and us about when to move forward on a site and a parcel.

What we anticipate is the northern part of the site that fronts on the park will probably be the first phase. Then the parking structure will probably be built early as well because we have to juggle the parking needs because the ballpark will continue to operate throughout this whole process so we'll need that structure earlier rather than later.

We'll probably see a grouping of buildings with the park go up in the early phase near the China Basin Channel. Then the structure would be built and then the rest would be filled in in between in later phases.

Commissioner Katz - Corinne had pointed out in previous meetings and at other times, the importance of height diversity. You've talked about capping some of the commercial buildings, but has that been taken into account? Not only the way it will look aesthetically but also the impact of open space by having more diversity in the height?

Jack Bair - Yes, very much so. This still has a site that has buildings ranging from 40 feet in terms of Pier 48, several of the commercial buildings, to 120 feet, to 160 feet, to 190 feet, to 240 feet. There's a diversity of heights and they're smaller block sizes and an emphasis on having different architecture firms design different buildings so that it doesn't seem as homogenous.

There's a lot of debate and discussion during the eight years that preceded this about Mission Bay and what worked and what didn't work and what we heard over and over again is the community wanted a more pedestrian friendly, more urban style and scaled part of Mission Bay. So that's the product of what you see.

Obviously the height has been reduced, but height does provide you the ability to have more open space. We could reduce the heights of the project if we eliminated some of the open space because we would have more square footage on lower heights. The community, the focus groups and the polling suggests to us that the citizens don't mind height if it's used for things that are productive, especially when it's paired with the development of open space or public amenities that people believe in.

Commissioner Katz – With the new plan, has the number of housing units significantly changed?

Jack Bair - No, it hasn't in that we've added to Site D and we've subtracted from some other sites. It's still within the range that we have always been talking about.

12. REAL ESTATE

- A. Request authorization to issue a Request for Proposals for a three year lease with two one-year options to renew for three surface parking lots at: (i) Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; (ii) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and (iii) Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street; (iv) interim parking in Pier 19½; (v) interim parking in Pier 29½; and (vi) interim parking in Pier 33. (Resolution No. 15-20)

Jay Edwards, Senior Property Manager for the Port Real Estate Division - I'm joined by Bob Davis, Principal Administrative Analyst. We're here today to request approval for the above mentioned item for the parking lot RFP for the northeast waterfront parking.

First of all, I'd like to thank Priority Parking who's been our parking operator for the last four years. Not only for their \$2.8 million in revenue that they send the Port, but also for their responsiveness and what they've done to make the operations as smooth as possible. We are moving in a new direction in terms of how we bring our lots back out to the public to a Request For Proposal process which we outlined in our last informational meeting.

This is updated report which highlights what the changes are that have been made to it and where they've been made. The project objectives are as follows: improve the overall financial performance of the parking lot, enhance the overall visitor parking experience, expand the Port's diversity in parking lot operators and explore opportunities to expand the Port's parking capacity. With those objectives in mind, we have devised a process that will allow us to go out to the community and hopefully meet these objectives.

In the report, under the minimum lease terms and conditions, there are two changes to those terms and conditions. They're made to make our operations more flexible and also to preserve the Port Capital which allows us to go back to our parking lot operators in the event there's additional Capital improvements or operational needs that we have that are above and beyond the scope of what was proposed and it's at the Port's request and there's a vehicle for them to offset those costs financially. Those are two of the changes that we've made.

In addition, per the Commission's request, we have added the submission requirements and the evaluation process that Bob is going to talk about.

Bob Davis - The scoring reflects staff and Commission's comments, concerns and suggestions. What we've tried to do is subsequently incorporate some of the concerns and suggestions that were made at the last meeting. The nature of the opportunity is such that we wanted to expand the possibility for inclusion without losing the focus of financial responsibility.

Our lots operate somewhat differently from MTA in that we do require Capital Investment from our operators. We expect certain things and we think the scoring will allow us to do two things. To create diversity through partnership and to reward innovation and technology through automated systems and expansion possibilities as they present themselves, i.e. through lifts or something as simple as understanding how to do valet parking.

We think that the scoring now does reflect the objectives and goals that had been stated and then we genuinely believe that with the additional outreach that we have planned, that we will be able to meet our objectives and goals.

Commissioner Brandon - Thank you Bob and Jay. Great presentation. This is a wonderful opportunity. I hope we get a lot of interested parties.

Commissioner Woo Ho - I'm glad to hear the variety of how you could park. Many of us are aware of the traffic congestion that's increasing all over the city but also on the Embarcadero. Just so we have flexibility, and I know these are only three year leases. A revolutionary idea is that someday we may decide to eliminate the parking meters on Embarcadero and replace it with more parking inside some of these lots that are up for consideration.

My point is not to say that we're going to do that, but I want to make sure that these agreements are worded in very flexible ways that in the event that we decide to change traffic patterns and that we need more flexibility in terms of the parking operators whether it's through technology as you mentioned earlier or if we decide that we're going to move meters inside, off the streets, that this is all contemplated and we're not going to find ourselves in a difficult situation with any operator as we try to innovate, think more effectively for the city in the long run.

As I said, I know these agreements are not that long. I want to make sure that the agreements are worded in a way that gives them incentive to think about these new arrangements as well as for us to have the flexibility to be able to talk to them during the terms of the lease before they come up, so that we don't have to wait another three years to talk about any change in how we think about parking and traffic.

Bob Davis - Yes Commissioner. The agreements will reflect that. The whole issue of traffic and how we exit our lots and efficiency around our lots is important both for our merchants and for our parking operators. We will be looking for parking operators that have some experience with traffic flow that have worked with the city in different capacities, as many of the operators of some of the lots currently do. If there are developments that will be going on, the agreement will reflect some level of flexibility along those lines as well.

Commissioner Woo Ho - Some of these agreements have now been month to month since December of 2012. Is there a reason why it's taken us until 2015 to decide to put them out for renewal or rebid?

Jay Edwards – You're correct that the agreements have been on month to month. The way they're structured, Commissioner, we are receiving percentage rent on the operations. We have increased their base rent annually to reflect a market increase. While we always endeavor to get these out quicker, we are still hopefully achieving a fair return on our operations.

Commissioner Woo Ho – Was it a delay in our thought process? Are we doing any financial harm?

Jay Edwards - No, we are not. As I recall, in October, 2013, we got some positive feedback from the Commission and we changed from what was a bid process to a Request For Proposal process. We had a number of outreach that we had to engage in and it took longer than we anticipated to

get the change in the way we do it and also get sufficient community outreach. We're back here today to move forward.

Commissioner Woo Ho - I don't know whether we'll ever go down that path but if we ever have to consider more traffic lanes on Embarcadero we have to figure out how you could increase parking inside and whether there would be parking meters or some other way increasing the capacity. I think you did mention that in your earlier introductory comments.

What I'm saying is it's important to consider what we can do on the roadway and solve two problems at once. Increase the revenue from parking, increase the capacity of parking, but also figure out whether there's a solution to some of the traffic issues that we currently see.

Jay Edwards - Absolutely, we'll give that some consideration.

Commissioner Adams - I want to thank Jay and Bob. I want to thank Director Moyer for bringing Bob on. I know this thing took a while to come about, but this thing has been well crafted. I appreciate the time, everything that went into it. You heard the Commission say we wanted to see more diversity, more of an equal playing field. We brought in Bob to try to make it more equal, more community outreach and you guys have done that. This is a nice piece of work and this is a start so thank you.

Commissioner Katz - Likewise, thank you to both of you. I'm very excited., I think it's taken a little bit of time to get here and part of that was trying to really be creative and get it right. I want to thank you for all of your efforts on that. I'm really pleased and excited of what we have before us.

If one of you could please amplify a little bit on the nature and the fact that the strength and structure of the partnership is a significant part of the score. I know that's really where we're trying to be creative and do outreach, but let's take the opportunity to amplify on that.

Bob Davis - The reason that the partnership is important is in order to do two things: (1) Allow for mentoring; and (2) Expand the overall pool. The Port's parking situation is unique to the Port. MTA pays an operator a fee. We have a system that requires Capital Investment but what we think will happen is the larger companies will share responsibilities with the smaller companies, mentor the small companies and we want to reward that.

The structure of the partnership, to make sure that it's real, that the risk/reward is equal based on investment, that mentorship and training is important, that any subcontractors that you bring on board, there's demonstrable work that's going to be done that also allows them to grow. The partnership is central to allowing for growth within the pool and expanding opportunities to the Port to many of the other small operators that currently are out there.

Commissioner Katz - I wanted to put a fine point on that again that that's really what is particularly unique about how we've set up the proposal or the RFP to encourage broader participation. For those that are responding, this is your big clue here. The nature and strength of your partnership is significant and important.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor; Resolution No. 15-20 was adopted.

B. Informational presentation regarding the Fiscal Year 2015-16 Monthly Rental Rate Schedule, Monthly Parking Stall Rates and Special Event, Filming and Public Art Rates.

Jeffrey Bauer, Port's Leasing Manager - This is an informational item to give the Commission an update of the 2015-2016 Rental Rates, Parking Rates, Filming and Special Event Rates and ask for a fee waiver for Public Art that can be installed up and down the waterfront. The staff report mentioned Pier 14 but the intent is for up and down the waterfront. Reed Kawahara, a representative from Keyser Marston, is available to answer any questions from the Commission.

What are the Parameter Rents? The Parameter Rents are delegated authority. It allows the Real Estate Division to function. It's the nuts and bolts of the Port. The delegated authority for the minimum Parameter Rents is less than five years, less than a million dollars.

The parameter rents represent about 17% of the total real estate revenues. They represent a small portion of the revenues but a large portion of the majority of the leases. The majority of the tenants, in my experience, are typically small businesses. We have a lot of small businesses.

In the past 12 months, we've completed 66 real estate transactions, 82% which are Parameter Rents equal to \$440,582 in monthly revenue equal to \$5.2 million in annual revenues.

This is our overall portfolio. The categories are Office. We have Class A, we're in a Class A building. The Port does not directly manage Class A. We have Class B. The majority of our offices are Class C. This goes down to the Industrial Property, Fishing, Open Land, Submerged Lands as well.

Rate Setting Methodology. Typically we spend about two months on this staff report reading commercially available data, interviewing tenants, talking to brokers, talking to tenants. There's a lot of time and effort put into this report to make sure that we get it right. There is this tension of maximizing revenue but also the idea that we want to maintain our small businesses.

Working with Keyser Marston Associates, we've had some lively discussions on where the rate should be. They're an active partner in setting those rates. They're not just someone who's going to write an approval letter. They will definitely question our methodology.

Our current vacancy rate: 3.9 on Office, Industrial 9.4. Of the total categories of the Parameter Rents, there are 61. We're proposing increasing 48 or 70% of them, 100% of Class B office rates would go up, 27 of Class C. Parking, we've taken a little bit of a ding there largely because we've transferred management to a third party. Special Events we're requesting an increase and the same with the Filming.

It demonstrates the difficulty of translating say across the street or the commercially available data. We don't have Warehouse. We have Pier Sheds. But despite that, we have a Class A location with a Class C property. We're able to have a very low vacancy rate and command high rates for those properties.

Unpaved Land, we've experienced a lot of action in the last year or so on Unpaved Land. There's lots of demand. We're running out of Unpaved Land so we're going up in that category and the same with Paved Land. We're going aggressive in the Paved Land category. I'll be back for your approval at the June 23rd meeting.

Commissioner Woo Ho - Is the balance historical as well as futuristic or is it mostly historical in terms of the increase?

Jeffrey Bauer - That's a good question. We can base it on historic data, on current data. The flexibility and the value add that the parameters give us is the minimum may say \$2.50 for a Class C building, but in three months if we see just an increased market demand, we're within our rights to charge \$3.00, \$3.50. We can't go below \$2.50 but we can go much higher than that. That's the beauty of the parameters.

Monique Moyer - That was a good answer Jeff. I'm just going to take a bigger market perspective. Commissioner, this is the first time we've probably recommended raising all of our Class B rates at one time. One of the reasons we did that is because we see demand increasing in the future particularly in the Mission Bay and Central Waterfront Areas where we do have some Class B/Class C space.

In setting our rates or at least in proposing to set rates, we reached a little bit higher on those levels than current market statistics would suggest. In anticipation of where we think the market's going to go in the next year and the staff report reflected some of that market feedback. We haven't seen that go to the depths of our portfolio, in the Southern Waterfront near Pier 80 so we were a little more conservative on those properties.

Commissioner Brandon - You mentioned that there was a little dip in parking.

Jeffrey Bauer - Actually the dip in parking is Port employees have been cancelling their parking stalls. I think because they've gone to public transportation and traffic is, we all know, is just terrible. There's that dip and also we transferred a number of parking stalls that were very labor intensive in Fisherman's Wharf to our third party operator.

Commissioner Katz – Thank you, Jeff, that was very helpful. The Class B office space, I thought we did have some further south, am I missing something?

Jeffrey Bauer - Pier 26 Annex, where IDEO Product Development is.

Commissioner Katz - In terms of the minimum rent, it seems like ours is still significantly lower. If you look at page 9 in the chart for Class B office space for the South of Market Area, they're significantly higher. Is that accurate?

Jeffrey Bauer - Some of the difficulty with appraising and valuing our property is that the South of Market Class B's are typically full service. Ours at Pier 26 are net. If we're getting \$3.00 and the tenant is paying up to \$1.50 so they're actually paying \$4.50 or \$5.00 a square foot. You're just not seeing that.

Commissioner Katz - Okay, that was the piece I didn't see.

Jeffrey Bauer - Yeah, we like to rent our property net.

Commissioner Katz: - Perfect, thank you. So this item will come back to us next month?

Jeffrey Bauer – Yes, I will be back next month for your approval.

13. NEW BUSINESS

Monique Moyer - Commissioners, in my Executive Director's Report, I neglected to mention for the June 23, 20 meeting that we had talked in a previous New Business Session about having it at the new Cruise Ship Terminal. In the intervening time, we have been able to lease the terminal out on the June 23rd date, so it would not be available for that meeting. We will keep looking for a time when we could do that. The June 23rd meeting would be here in the Ferry Building. Other than that, do you have any new business you'd like to add?

Commissioner Woo Ho - I believe based on the financial forecast, you're going to hit a milestone of revenue in another month. I think that should be a topic.

Monique Moyer - I would be happy to put that on. I'm sure Elaine would be more than happy. Thank you for calling that out.

14. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 6:14 p.m.

